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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)

INSIDE INFORMATION MASTER AGREEMENT

This announcement is made by Phoenix Healthcare Group Co. Ltd (the “**Company**”, together with its subsidiaries the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on September 15, 2015 (after trading hours), the Company and Third Center Hospital of Baoding City (“**Third Center Hospital**”) entered into a master agreement (the “**Master Agreement**”) in relation to the cooperation between the Company and Third Center Hospital (the “**Cooperation**”) based on the framework agreement dated January 5, 2015 (the “**Framework Agreement**”) entered into by the Company and People’s Government of Baoding (the “**Baoding Government**”) Baoding Government relating to the cooperation for the purposes of establishing a new healthcare services system in Baoding. Please refer to the Company’s announcement dated January 5, 2015 for details of the Framework Agreement.

Pursuant to the Master Agreement, the Company will set up a company in Baoding namely “鳳凰醫院管理（保定）有限公司 (Phoenix Hospital Management (Baoding) Company Limited)” (tentative name) (the “**Management Company**”). Based on the development needs of Third Center Hospital, the Company will, through the Management Company, make an initial investment of RMB32 million before January 31, 2016, and a second investment of RMB38 million before January 31, 2017, that is a total of RMB70 million, to Third Center Hospital in relation to the Cooperation for the purposes of (i) developing Third Center Hospital as a nationwide famous “惠民 (Huimin)” hospital brand, (ii) introducing quality healthcare resources through the Cooperation, (iii) rising academic standard of

Third Center Hospital, (iv) combining the construction needs in the regional healthcare system to build advantageous academic disciplines, and (v) providing patients with more convenient medical services of higher quality.

The Master Agreement is legally binding and aims to encapsulate the parties' views and arrangement regarding the Cooperation.

KEY TERMS OF THE MASTER AGREEMENT

Cooperation arrangement

The Company will make a total investment of RMB70 million to Third Center Hospital through the Management Company under the cooperation mode to implement the Cooperation with an initial investment of RMB32 million being made before January 31, 2016, and a second investment of RMB38 million being made before January 31, 2017. The Company will establish a new hospital operating system, which safeguards public welfare, stimulates initiative, and maintains sustainability, by injecting capital, introducing mechanisms and introducing intelligence (quality medical technological and management resources). In the meantime, the Company undertakes to establish a special purpose charity fund of RMB20 million in order to support the commencement of provision of Huimin (beneficial to the people) healthcare services by Third Center Hospital.

The period of the Cooperation under the Master Agreement is 20 years commencing from September 15, 2015 to September 14, 2035. The period up to December 31, 2015 will be a transitional period. During the period of the Cooperation, Third Center Hospital will offer the Company a fixed return on investment principal per annum as investment return. In addition, the Company is entitled to a reasonable return in the form of management fees from Third Center Hospital based on the operations appraisal to be performed by the Baoding Government against Third Center Hospital. The management fees will comprise fixed management fees and floating management fees.

The capital contributed by the Company towards the Cooperation does not constitute any ownership or owners' interest in any medical institution, and the property rights resulting from such capital injections are vested in the local government and the respective medical institutions.

COOPERATION MANAGEMENT MECHANISM

The parties will delegate representatives to set up an executive committee (the "**Executive Committee**") and a supervisory committee (the "**Supervisory Committee**") of Third Center Hospital, and establish a team of deans under the leadership of the Executive Committee to form the core of a modern hospital management structure and to optimize its management system and operating mechanism.

The Executive Committee will be the highest decision-making body under the Cooperation between Third Center Hospital and the Company, and its functions include formulating Third Center Hospital's development plan, approving its annual budget, giving advice, making recommendations on members of the management team and other material matters. The Executive Committee will consist of eight

members, of which four will be appointed by the Company, two by the Baoding Government and two by Third Center Hospital. The Executive Committee will have one chairman, who will be a representative of the Baoding Government, and one executive member, who will be a representative of the Company.

The Supervisory Committee will be the highest supervisory body of Third Center Hospital and is responsible for the supervision of the fulfillment of public welfare functions, hospital assets, financial position and conduct of members of the Executive Committee and team of deans of Third Center Hospital. The Supervisory Committee will consist of five supervisors, of which two will be appointed by the Company, two by the Baoding Government, and one by Third Center Hospital. The chairman of the Supervisory Committee will be a representative from the Health and Family Planning Commission of the Baoding Government.

INFORMATION ABOUT BAODING

Baoding is located at the North China Plain of the People's Republic of China (the "PRC"), the west-central portion of Hebei province. It is one of the major prefecture cities in the Hebei Province of the PRC and also one of the core cities of the integration of Beijing-Tianjin-Hebei. Moreover, Baoding serves as the core regional industrial center of Northern China. There are five districts, 15 counties and two county-level cities in Baoding covering a geographic area of 22,185 square kilometers. According to the sixth census conducted by the PRC National Bureau of Statistics, as at the end of 2010, the total population of Baoding was approximately 11.2 million, making Baoding the most populated city in Hebei province and the seventh most populated city in the PRC.

According to the statistics prepared by 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 hospitals affiliated with the People's Liberation Army, affiliated hospitals of Hebei University and Chinese medicine hospitals, Baoding had four Grade III general hospitals, 46 Grade II general hospitals and a number of Grade I general hospitals, and other community hospitals and medical institutions, supplying nearly 40,000 hospital beds in total.

INFORMATION ABOUT THIRD CENTER HOSPITAL

Third Center Hospital is located at the Jingxiu District in Baoding and is a 2A general hospital which integrates with medical, teaching, research, prevention and health care. It is also an "(愛嬰醫院) infant care hospital", a "(百佳醫院) Top 100 Hospital" in Baoding, a "(三星級文明醫院) Three-Star Civilized Hospital" in Hebei province, and a designated medical institution for the urban workers in Baoding, the urban residents in Baoding under the fundamental medical insurance program, the new rural cooperative in Baoding, the railway workers and their families.

As at the date of this announcement, Third Center Hospital has a total area of approximately 20,000 square meters, with 304 hospital beds in place of which 224 beds are in operation and hiring approximately 298 medical professionals. In 2014, Third Center Hospital provided services to approximately 60,000 people (headcount), generating total income of approximately RMB60 million RMB.

REASONS AND BENEFITS OF THE MASTER AGREEMENT

The Master Agreement marks a significant innovative attempt to comprehensively deepen the reform of the PRC public healthcare services system, develop the integrated Beijing-Tianjin-Hebei healthcare system, with the Group's professional medical service management capabilities and flexible social capital, thereby introducing a market-oriented management mechanism to the public hospital system of Baoding and developing Third Center Hospital into a “惠民 (Huimin)” healthcare center in the Beijing-Tianjin-Hebei region through the Cooperation. The expansion of the Group's hospital management network in Baoding will enable the Group to strengthen its pioneer status in the reformation of the public healthcare system of the PRC and create modeling effect for the Group in its expansion in the national healthcare industry.

The Cooperation in building Third Center Hospital will further enhance the Group's healthcare industry management scale and medical service capabilities. Economies of scale is achieved and combined with further synergies arising from the Group's existing medical institutions network. Intergroup management will promote resources sharing and cooperation among the member organisations, comprehensively optimising the Group's medical services structure and enhancing quality of its medical service and management capacities, signifying a major step of the Group in expanding its business to regions outside Beijing, which will bring significant strategic value to the Group in expansion of its industry network.

The Board believes that the Cooperation with Third Center Hospital will allow the Group to generate a stable long-term investment income and remarkably expand its hospital network. Accordingly, the Board is of the view that the Cooperation contemplated under the Master Agreement is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

The entering into of the Master Agreement does not constitute a notifiable transaction under Chapter 14 of the Listing Rules as the Cooperation contemplated under the Master Agreement (i) is a single purpose project which is of a revenue nature in the ordinary and usual course of business of the Company, (ii) is on an arm's length basis and on normal commercial terms, and (iii) contains clauses to the effect that the Cooperation may not, without its partners' unanimous consent (a) change the nature or scope of its business, or (b) enter into any transactions which are not on an arm's length basis.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Third Center Hospital and its respective subsidiaries are third parties that are independent of the Company and its connected persons (as defined under the Listing Rules).

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

Hong Kong, September 15, 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. Sun Jianhua and Mr. Lee Kar Chung Felix, as independent non-executive Directors.