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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)

- (1) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS UNDER THE PMM FRAMEWORK AGREEMENT**
- (2) EXEMPT CONTINUING CONNECTED TRANSACTIONS IN RELATION TO BODY CHECK SERVICES AND THE LOAN SERVICES**
- (3) EXISTING CONTINUING TRANSACTIONS IN RELATION TO THE FINANCE LEASE AGREEMENT AND THE DEPOSITORY SERVICES**

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

In contemplation of Completion and to comply with the applicable connected transaction requirements under the Listing Rules in relation to the supply of the PMM Items by CR Holdings or its subsidiaries to the Enlarged Group and its sponsored hospitals (including the Subject Institutions), the Company and CR Holdings entered into the PMM Framework Agreement on October 5, 2016.

CR Holdings, as a holding company of the Seller, will become a connected person of the Company upon Completion and the transactions contemplated under the PMM Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) relating to the proposed caps under the PMM Framework Agreement exceeds 5%, the transactions contemplated under the PMM Framework Agreement and the proposed caps are subject to the requirements of reporting, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

CR Bank has been providing certain loan services to the Target Group and the Subject Institutions, which will constitute exempt continuing connected transactions upon Completion under Rule 14A.90 of the Listing Rules.

999 Clinic has been providing body check services to some of the subsidiaries of CR Holdings, which will constitute exempt continuing connected transactions upon Completion under Rule 14A.97 of the Listing Rules.

EXISTING CONTINUING TRANSACTIONS

Upon Completion, the Finance Lease Agreement and the Deposit will constitute continuing connected transactions under Chapter 14A of the Listing Rules, although all of their terms will remain unchanged. As the Finance Lease Agreement and the Deposit are existing agreements for a fixed period with fixed terms, the Company will comply with the annual review and annual reporting requirements in accordance with Rule 14A.60 of the Listing Rules. In the event of any variation of the terms or renewal of the Finance Lease Agreement or the Deposit, the Company will comply with all connected transaction requirements including, where applicable, the requirement to seek Independent Shareholders' approval.

GENERAL

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, approve the PMM Framework Agreement and the proposed caps in relation thereto.

Having considered the reasons in relation to the execution of the PMM Framework Agreement and taking into account the basis of determination of the proposed caps, the Directors (excluding the independent non-executive Directors whose views will be contained in the circular to be published by the Company after considering the advice from the Independent Financial Adviser) are of the view that the terms of the PMM Framework Agreement and the proposed caps are fair and reasonable, have been entered into on normal commercial terms and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

The Independent Board Committee, comprising Mr. Kwong Kwok Kong, Ms. Cheng Hong, Mr. Sun Jianhua and Mr. Lee Kar Chung Felix, all being independent non-executive Directors, has been established to consider the PMM Framework Agreement and the proposed caps in relation thereto and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution regarding the PMM Framework Agreement and the proposed caps. None of the members of the Independent Board Committee has any material interest in the PMM Framework Agreement.

Somerley has been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the PMM Framework Agreement and the proposed caps.

A circular containing, among other things, (i) a letter from the Board setting out details of the PMM Framework Agreement and the proposed caps in relation thereto; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice of the EGM; and (v) other information required under the Listing Rules, will be despatched to the Shareholders on or before October 27, 2016.

WARNING

Completion is conditional upon the fulfillment (or waiver, where applicable) of certain conditions as set out in the announcement issued by the Company on August 30, 2016. Accordingly, the Acquisition may or may not proceed and the PMM Framework Agreement may or may not take effect. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares or other securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their position or as to the actions that they should take.

Reference is made to the announcements of the Company dated April 8, 2016, May 3, 2016 and August 30, 2016 in relation to, among other things, the Acquisition. The Seller is a wholly-owned subsidiary of CR Holdings and would become a controlling shareholder of the Company upon Completion. CR Holdings, through its subsidiaries, currently has certain continuing transactions with the Group, the Target Group and the Subject Institutions, which will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon Completion.

PART I – NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

In contemplation of Completion and to comply with the applicable connected transaction requirements under the Listing Rules in relation to the supply of the PMM Items by CR Holdings or its subsidiaries to the Enlarged Group and its sponsored hospitals (including the Subject Institutions), the Company and CR Holdings entered into the PMM Framework Agreement on October 5, 2016, the details of which are set out below.

Date: October 5, 2016

Parties: the Company and CR Holdings

Term

The term of the PMM Framework Agreement is from the date of Completion or the date on which the approval of the PMM Framework Agreement by the Independent Shareholders has been obtained (whichever is the later) to December 31, 2018, subject to renewal for another three years by mutual consent and negotiation between the parties. The Company may terminate the PMM Framework Agreement unilaterally by written notice of at least 30 days to CR Holdings.

Subject matter

Pursuant to the PMM Framework Agreement, CR Holdings may, through its subsidiaries, supply the PMM Items to the Enlarged Group and its sponsored hospitals (including the Subject Institutions) from time to time. The Enlarged Group and its sponsored hospitals may place purchase orders for the PMM Items with CR Holdings or its subsidiaries from time to time and CR Holdings or its subsidiaries may sell the products to the Enlarged Group and its sponsored hospitals at a price in accordance with the agreed pricing policy. The details of each purchase order, including price, payment terms and delivery arrangement, are to be separately agreed in accordance with the principles laid down in the PMM Framework Agreement.

Pricing policy

The price of the PMM Items under the PMM Framework Agreement shall be determined in accordance with the applicable prescribed price or guided price of those products fixed by the PRC regulators, if applicable. If there is no such prescribed price or guided price for the particular product, the price shall be determined based on arm's length negotiation between the parties and with reference to the then prevailing market price as evidenced by the invoices provided by CR Holdings or its subsidiaries for their supply of the relevant product to no less than three hospitals of similar grade.

Other than the pricing methodology set out above, the Group and the Subject Institutions may also introduce an open tendering process to ensure fairness of terms. In such scenario, certain designated personnel will be appointed to survey the price of designated pharmaceutical and medical products and ensure the tender pricing meets all such standards.

From time to time, sales agents are required to produce pricing guides as part of their pitching. With such pricing information and the accumulated market experience from the long operation track record of the Group's hospitals and the Subject Institutions, the Company is always able to stay aware of the fair market terms for different supplies of the PMM Items.

Reasons for the transactions

The underlying rationale for entering into the PMM Framework Agreement is mainly driven by commercial attractiveness of the terms offered by CR Holdings. The reasons for the execution of the PMM Framework Agreement are further elaborated below:

(a) *Historical business relationship with CR Holdings*

CR Holdings through its subsidiaries has a long track record of supplying the PMM Items in the PRC. A stable and long term procurement arrangement between CR Holdings, the Group and the Subject Institutions has been in place for a number of years. The cooperation with CR Holdings will help to secure a constant supply of the PMM Items which are essential for the daily operation of the Enlarged Group and its sponsored hospitals.

(b) *Offering of competitive terms*

CR Holdings is currently selected as one of the suppliers of the Group and the Subject Institutions mainly because of, among others, its competitiveness and willingness to offer favourable commercial terms following arm's length negotiation as compared to other existing suppliers of the Group and the Subject Institutions. In addition, the Group and the Subject Institutions have also considered the fact that CR Holdings is the second largest pharmaceutical distributor in the PRC with a prevailing market presence in the regions where the Group and Subject Institutions operate, and its capability to offer better pricing and credit terms to the Group and the Subject Institutions when compared with the other existing suppliers.

(c) *Consolidation of suppliers*

Historically, the Group and the Subject Institutions conducted their procurement process based on a standardized policy where suppliers were selected on an ad hoc basis in accordance with the adopted supplier selection policy. In the course of their recent review of

management process, the Group and the Subject Institutions decided to further enhance their operational efficiency by consolidating the number of their suppliers in order to leverage on the economies of scale from larger orders that is typically available with a more centralised procuring system. The PMM Framework Agreement will enable the Enlarged Group and its sponsored hospitals to coordinate and manage the procurement of the PMM Items in an efficient and standardized manner.

(d) *Recent supply contracts with Wugang Hospital Group and Huaikuang Hospital Group*

CR Holdings, along with a few other selected suppliers, have been in discussion with Wugang Hospital Group since 2015 to explore the possibility of becoming a main supplier of medical and pharmaceutical supplies to Wugang Hospital Group. In August 2016, CR Holdings (through its subsidiary) won the Wugang Hospital Group tender. In September 2016, CR Holdings (through its subsidiary) executed a supply contract with Huaikuang Hospital Group, details of which are set out in the sub-section headed “Huaikuang Hospital Group” under the section headed “Basis of determination of the proposed caps” below. The decisions of Wugang Hospital Group and Huaikuang Hospital Group to enter into the supply arrangements with CR Holdings were mainly driven by an aim to streamline the procurement procedures, hence enhance operational efficiency.

(e) *Compliance with supplier selection process by CR Holdings*

In selecting the suppliers for the Enlarged Group and its sponsored hospitals (whether such suppliers are connected persons or not), the Enlarged Group and its sponsored hospitals are required to go through a stringent selection and approval process involving arm’s length commercial negotiation. CR Holdings and its subsidiaries are required to comply with such selection process before becoming one of the suppliers of the Enlarged Group and its sponsored hospitals.

(f) *Mutual benefits*

The execution of the PMM Framework Agreement is beneficial to both CR Holdings and the Enlarged Group and the Subject Institutions. On the one hand, dealing with reputable customers like the Enlarged Group and the Subject Institutions can enhance CR Holdings’ reputation and market shares in the pharmaceutical supply industry; on the other hand, the Enlarged Group and the Subject Institutions can achieve better operating efficiency and economies of scale through dealing with a fewer number of suppliers with better quality like CR Holdings.

(g) *No reliance on CR Holdings*

The Group and the Subject Institutions are not dependent on CR Holdings even with the transactions contemplated under the PMM Framework Agreement given the reasons stated in the section headed “No Reliance on CR Holdings” below. Moreover, under the PMM Framework Agreement, the Company has the right to terminate the agreement without cause with 30 days’ written notice, which provides the Group and the Subject Institutions with sufficient independence and flexibility. Except in the case of Huaikuang Hospital Group which has signed an exclusive three year supply agreement with CR Holdings as referred to in the sub-section headed “Huaikuang Hospital Group” under the section headed “Basis of determination of the proposed caps” below, there is no fixed procurement requirements imposed on the Group and the Subject Institutions and accordingly the Group and the Subject Institutions may adjust their procurement policies in respect of CR Holdings on an on-going basis in accordance with the applicable circumstances.

The Directors (excluding the independent non-executive Directors who will express their views in the circular to be issued by the Company after considering the advice from the Independent Financial Advisor) are of the view that the terms of the PMM Framework Agreement and the proposed caps are fair and reasonable, have been entered into on normal commercial terms and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

Historical transaction amounts

- (i) The table below sets out the historical total transaction amounts in relation to the procurement of the PMM Items by (a) Wugang Hospital Group, (b) Huaikuang Hospital Group, and (c) the Group and the remaining Subject Institutions for the three financial years ended December 31, 2015:

	Financial year ended December 31, 2013 (RMB)	Financial year ended December 31, 2014 (RMB)	Financial year ended December 31, 2015 (RMB)
Wugang Hospital Group	283 million	296 million	274 million
Huaikuang Hospital Group	278 million	307 million	284 million
the Group and the remaining Subject Institutions	872 million	1,287 million	1,499 million
Total	1,433 million	1,890 million	2,057 million

- (ii) The table below sets out the historical transaction amounts in relation to procurement of the PMM Items by (a) Wugang Hospital Group, (b) Huaikuang Hospital Group, and (c) the Group and the remaining Subject Institutions from CR Holdings and its subsidiaries for the three financial years ended December 31, 2015 and the six months ended June 30, 2016:

	Financial year ended December 31, 2013 (RMB)	Financial year ended December 31, 2014 (RMB)	Financial year ended December 31, 2015 (RMB)	Six months ended June 30, 2016 (RMB)
Wugang Hospital Group	30 million	74 million	73 million	29 million
Huaikuang Hospital Group	2 million	2 million	3 million	3 million
the Group and the remaining Subject Institutions	12 million	19 million	18 million	7 million
Total	44 million	95 million	94 million	39 million

- (iii) The table below sets out the historical percentages of procurement of the PMM Items from CR Holdings and its subsidiaries out of the total procurement of the PMM Items by (a) Wugang Hospital Group, (b) Huaikuang Hospital Group, and (c) the Group and the remaining Subject Institutions for the three financial years ended December 31 2015:

	Financial year ended December 31, 2013 (%)	Financial year ended December 31, 2014 (%)	Financial year ended December 31, 2015 (%)
Wugang Hospital Group	10.5	25.0	26.5
Huaikuang Hospital Group	0.8	0.5	1.2
the Group and the remaining Subject Institutions	1.3	1.5	1.2

Proposed caps

The table below sets out the proposed caps under the PMM Framework Agreement for the period from November 1, 2016 or the Completion Date, whichever is the earlier, to December 31, 2016 and the two financial years ending December 31, 2018:

	The period from November 1, 2016 or the Completion Date, whichever is the earlier, to December 31, 2016 (RMB)	Financial year ending December 31, 2017 (RMB)	Financial year ending December 31, 2018 (RMB)
Wugang Hospital Group	23 million	202 million	216 million
Huaikuang Hospital Group	36 million	247 million	247 million
the Group and the remaining Subject Institutions	7.5 million	60 million	75.5 million
Total	66.5 million	509 million	538.5 million

Basis of determination of the proposed caps

The Group

In determining the above proposed caps, the Company has taken into account (i) the Group's historical costs of procurement of the PMM Items; (ii) the anticipated price movements of the typical medical/pharmaceutical supplies required by the Group; (iii) an average growth rate of 15% per year for the procurement requirement of the Group, as estimated by the Company on a conservative basis; and (iv) a moderate increase by approximately 1~2% in the Group's total procurement from CR Holdings and its subsidiaries.

The Subject Institutions (other than Wugang Hospital Group and Huaikuang Hospital Group)

With regard to the annual caps proposed for the Subject Institutions (other than Wugang Hospital Group and Huaikuang Hospital Group), a conservative average growth rate of 2~5% per year is applied for the procurement requirement of such Subject Institutions. The increase in the procurement of the PMM Items from CR Holdings and its subsidiaries is primarily driven by the adoption of a centralized procurement approach by such Subject Institutions.

Wugang Hospital Group

To benefit from economies of scale and the best possible offer price from suppliers, Wugang Hospital Group decided to adopt a centralized procurement approach and conducted a public tender through an independent agent in accordance with the applicable PRC laws in August 2016. CR Holdings (through its subsidiary) won the tender and entered into a centralized procurement arrangement with Wugang Hospital Group, pursuant to which CR Holdings will be Wugang Hospital Group's key supplier and Wugang Hospital Group may allocate around 70~75% of its total procurement of the PMM Items to CR Holdings and its subsidiaries. Under the centralized procurement arrangement with CR Holdings, Wugang Hospital Group does not have any obligation to purchase a minimum amount from CR Holdings, but a right to purchase up to 75% of its total procurement needs. Wugang Hospital Group will review such centralized procurement arrangement annually. The projected total procurement amounts of the PMM Items by Wugang Hospital Group, and the projected amounts and percentages of procurement from CR Holdings and its subsidiaries are set out in the table below:

	Two months ending December 31, 2016	Financial year ending December 31, 2017	Financial year ending December 31, 2018
Total procurement by Wugang Hospital Group (RMB)	46 million	288 million	292 million
Procurement from CR Holdings and its subsidiaries (RMB)	23 million	202 million	216 million
Percentage (%)	50.0	70.1	74.0

In particular, if such centralized procurement arrangement for the PMM Items had been entered into between CR Holdings and Wugang Hospital Group on January 1, 2013, Wugang Hospital Group's procurement amounts from CR Holdings and its subsidiaries would have been RMB198 million, RMB207 million and RMB192 million respectively for the financial years ended December 31, 2013, December 31, 2014 and December 31, 2015 respectively (assuming that 70% of the total procurement of Wugang Hospital Group was from CR Holdings and its subsidiaries).

Huaikuang Hospital Group

Huaikuang Hospital Group has adopted a centralized procurement approach since 2008 as it prized the benefits of dealing with a small number of suppliers offering competitive commercial terms, over the benefits of flexibility from multiple suppliers. Despite dealing with a smaller number of suppliers, it carries out periodic reviews of market prices and has in the past replaced suppliers found to be underperforming during such reviews. In September 2016, Huaikuang Hospital Group entered into an exclusive pharmaceutical supply agreement with CR Holdings (through its subsidiary) upon finding CR Holdings to be more competitive than its previous key supplier, which is an independent third party. Pursuant to the pharmaceutical supply agreement, Huaikuang Hospital Group will purchase all its needs for pharmaceutical supplies from CR Holdings and its subsidiaries and Huaikuang Hospital Group has retained the flexibility to switch supplier at the end of the current term (which is three years ending September 2018) in the event any other supplier is to offer more competitive terms than CR Holdings. The projected total procurement amounts of the PMM Items by Huaikuang Hospital Group, and the projected amounts and percentages of procurement from CR Holdings and its subsidiaries are set out in the table below:

	Two months ending December 31, 2016	Financial year ending December 31, 2017	Financial year ending December 31, 2018
Total procurement by Huaikuang Hospital Group (RMB)	50 million	325 million	315 million
Procurement from CR Holdings and its subsidiaries (RMB)	36 million	247 million	247 million
Percentage (%)	72	76	78.4

In particular, if such pharmaceutical supply agreement had been entered into between CR Holdings and Huaikuang Hospital Group on January 1, 2013, Huaikuang Hospital Group's procurement amounts from CR Holdings and its subsidiaries would have been RMB209 million, RMB230 million and RMB213 million respectively for the three financial years ended December 31, 2013, December 31, 2014 and December 31, 2015 respectively (assuming that 75% of the total procurement of Huaikuang Hospital Group was from CR Holdings and its subsidiaries).

Existing Procurement Model

The existing procurement of the Group and the Subject Institutions (other than Wugang Hospital Group and Huaikuang Hospital Group) is largely conducted on a regular basis where the Group and such Subject Institutions typically procure supplies of the PMM Items on a monthly basis from a sizeable range of approved suppliers. In respect of the Subject Institutions, under applicable PRC regulations, they are now encouraged to procure supplies through centralized arrangements and each Subject Institution has developed its own procurement process based on past practices.

In particular, Wugang Hospital Group has adopted a policy of consolidating its suppliers to enhance operational efficiency. To ensure that it will obtain the most competitive commercial terms under such approach, Wugang Hospital Group conducted a public tender through an independent agent in accordance with the applicable PRC laws in August 2016. Different suppliers were invited to bid with the most favourable supply terms for supply of the PMM Items and the tender was won by CR Holdings (through its subsidiary).

Huaikuang Hospital Group has historically adopted a centralized approach with a small number of key suppliers since 2008 which provided substantially all the hospital's medical and pharmaceutical supplies. Huaikuang Hospital Group periodically reviews the terms offered by such key suppliers against market prices and prescribed prices for similar products to ensure that it is kept informed of the latest market conditions. Huaikuang Hospital Group used to engage other independent third parties as its key suppliers. As referred to in the sub-section headed "Huaikuang Hospital Group" under the section headed "Basis of determination of the proposed caps" above, Huaikuang Hospital Group has recently entered into an exclusive pharmaceutical supply agreement with CR Holdings (through its subsidiary) due to the more favorable terms from CR Holdings, including (i) CR Holdings placing a certain amount of product quality assurance deposit to demonstrate confidence in its product quality and inventory stability, (ii) better pricing and (iii) longer credit terms.

Future Procurement Model

Wugang Hospital Group and Huaikuang Hospital Group will continue to procure their supplies from CR Holdings and its subsidiaries in accordance with their existing supply arrangements with CR Holdings.

The PMM Framework Agreement would not drastically affect the future procurement model of the Enlarged Group. Save for Huaikuang Hospital Group, the Enlarged Group and the Subject Institutions will have the right but not the obligation to acquire their supplies through CR Holdings in accordance with the PMM Framework Agreement. The Enlarged Group and the Subject Institutions will continue to strive for the best available supplies in the market, bearing in mind the benefit to the Company and its Shareholders as a whole.

No Reliance on CR Holdings

The Enlarged Group and the Subject Institutions will not be dependent on CR Holdings even with the PMM Framework Agreement because:

- (a) medical/pharmaceutical supplies are generic in nature and are readily available from different suppliers in the PRC;
- (b) the Enlarged Group and the Subject Institutions have existing relationships with a number of different suppliers who can easily step in to replace any supplies from CR Holdings and its subsidiaries, and there is no reason to believe that any such independent suppliers would be unwilling to continue or re-commence their supplies to the Enlarged Group and the Subject Institutions in the event of any shortfall of supplies from CR Holdings and its subsidiaries; and

- (c) the contemplated transaction amounts under the PMM Framework Agreement would only constitute approximately 20% of the total procurement amounts for the PMM Items by the Enlarged Group and the Subject Institutions during the period up to December 31, 2018.

In view of the alternative suppliers available in the market as of the date of this announcement, the Company considers that it would not be difficult for the Enlarged Group and the Subject Institutions to source the PMM Items that are to be supplied by CR Holdings and its subsidiaries pursuant to the PMM Framework Agreement from other independent suppliers.

Listing Rules implications

CR Holdings, as a holding company of the Seller, will become a connected person of the Company upon Completion and the transactions contemplated under the PMM Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) relating to the proposed caps under the PMM Framework Agreement exceeds 5%, the transactions contemplated under the PMM Framework Agreement and the proposed caps are subject to the requirements of reporting, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

PART II – EXEMPT CONTINUING CONNECTED TRANSACTIONS

Loan Services

CR Bank has been providing certain loan services to the Target Group and the Subject Institutions. Some of the loans will survive Completion and it is expected that the Enlarged Group and its sponsored hospitals (including the Subject Institutions) will continue to use such loan services provided by CR Bank. Loans and financing offered by CR Bank to the Enlarged Group and its sponsored hospitals have been and will be on terms no less favourable than the terms offered by CR Bank to other independent customers of the same type.

CR Bank is held as to approximately 75.33% by CRC, which in turn will become a controlling shareholder of the Company upon Completion. Accordingly, CR Bank will become a connected person by virtue of being an associate of a controlling shareholder of the Company pursuant to Chapter 14A of the Listing Rules.

The Target Group and the Subject Institutions have not provided any security over their assets for the loans advanced by CR Bank and such loans have been provided on normal commercial terms. Accordingly, the loans will constitute exempt continuing connected transactions upon Completion under Rule 14A.90 of the Listing Rules. The Company will comply with the requirements under Chapter 14A of the Listing Rules, if applicable, in relation to the loan services to be provided by CR Bank after Completion.

Body Check Services

999 Clinic has been providing body check services to some of the subsidiaries of CR Holdings, which form part of the employee benefits offered by the subsidiaries to their employees, and it is expected that 999 Clinic will continue to provide such body check services. As CR Holdings and its subsidiaries will become connected persons of the Company upon Completion, the provision of such body check services will constitute continuing connected transactions of the Company.

The body check services have been and will be provided by 999 Clinic to subsidiaries of CR Holdings with reference to prevailing market rates and are on normal commercial terms that are comparable to, or no more favourable than, those offered by 999 Clinic to independent third parties in its ordinary and usual course of business. As the body check services provided by 999 Clinic are for private use and consumption in the same state, and are not for resale or to be used by the subsidiaries of CR Holdings for any of their businesses, such services will constitute exempt continuing connected transactions under Rule 14A.97 of the Listing Rules and will be exempt from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

PART III – EXISTING CONTINUING TRANSACTIONS

The Finance Lease Agreement

Huaikuang Hospital Group, as lessee, entered into the Finance Lease Agreement with CR Leasing, as lessor, in relation to the finance lease of certain medical device in the amount of RMB1.86 million for a term of 36 months at the interest rate of 3.75% per annum (subject to adjustment). The lease was agreed by the parties with reference to the useful life of the relevant leased equipment, the lessee's financial needs and the lessor's capital position.

Depository Services

Brain Hospital has placed the Deposit, a fixed term deposit in the amount of RMB51 million, with CR Bank and the Deposit will survive Completion. The Deposit is interest bearing and is on terms no less favourable than those offered by CR Bank in relation to similar deposits placed by other independent customers, which rate is determined with reference to that published by the People's Bank of China.

Upon Completion, the Finance Lease Agreement and the Deposit will constitute continuing connected transactions under Chapter 14A of the Listing Rules, although all of their terms will remain unchanged. As the Finance Lease Agreement and the Deposit are existing agreements for a fixed period with fixed terms, the Company will comply with the annual review and annual reporting requirements in accordance with Rule 14A.60 of the Listing Rules. In the event of any variation of the terms or renewal of the Finance Lease Agreement or the Deposit, the Company will comply with all connected transaction requirements including, where applicable, the requirement to seek Independent Shareholders' approval.

It is expected that the Enlarged Group will enter into a framework agreement with CR Bank for the depository services in compliance of Chapter 14A of the Listing Rules, before which the Enlarged Group and the Subject Institutions will not place any further deposit with CR Bank.

INFORMATION ON THE PARTIES

The Company and the Group

The Company is a limited liability company incorporated in the Cayman Islands with the Shares listed on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of general hospital services, hospital management services and the supply chain business in the PRC.

The Target Group and the Subject Institutions

The Target Company is incorporated in the British Virgin Islands and the Target Group is engaged in the provision of general hospital services and hospital consultancy services in the PRC. The Subject Institutions are all medical/elderly care institutions owned or sponsored by the Target Group. For details, please refer to the announcement of the Company dated August 30, 2016 regarding the Acquisition.

Brain Hospital

Brain Hospital is a not-for-profit specialized hospital accredited as equivalent to Grade III, located in Guangzhou, Guangdong, the PRC. Brain Hospital has the largest rehabilitation training center in Guangdong.

999 Clinic

999 Clinic is a for-profit medical institution wholly owned by CR Hospital Holding located in Shenzhen, the PRC.

CR Holdings

CR Holdings is a diversified conglomerate in the PRC and Hong Kong, which is one of the key and large scale state-owned enterprises under the administration of the State-owned Assets Supervision and Administration Commission of the State Council in the PRC.

CR Bank

CR Bank is a licensed bank regulated by the China Banking Regulatory Commission and headquartered in Zhuhai, the PRC. It has branches and sub-branches in different locations in the PRC where it operates and provides financial and commercial banking services.

CR Leasing

CR Leasing is principally engaged in finance lease and leasing businesses, the wholesale of designated Class II and Class III medical equipment and related commercial factoring businesses in the PRC. It is a branch company of China Resources Leasing Company Limited* (華潤租賃有限公司), which is a wholly-owned subsidiary of CR Holdings.

GENERAL

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, approve the PMM Framework Agreement and the proposed caps in relation thereto.

Having considered the above reasons in relation to the execution of the PMM Framework Agreement and taking into account the basis of determination of the proposed caps, the Directors (excluding the independent non-executive Directors whose views will be contained in the circular to be published by the Company after considering the advice from the Independent Financial Adviser) are of the view that the terms of the PMM Framework Agreement and the proposed caps are fair and reasonable, have been entered into on normal commercial terms and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

The Independent Board Committee, comprising Mr. Kwong Kwok Kong, Ms. Cheng Hong, Mr. Sun Jianhua and Mr. Lee Kar Chung Felix, all being independent non-executive Directors, has been established to consider the PMM Framework Agreement and the proposed caps in relation thereto and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution regarding the PMM Framework Agreement and the proposed caps. None of the members of the Independent Board Committee has any material interest in the PMM Framework Agreement.

Somerley has been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the PMM Framework Agreement and the proposed caps.

Any Shareholders who have a material interest in the PMM Framework Agreement shall abstain from voting on the resolution in relation thereto to be proposed at the EGM. As at the date of this announcement, neither the Seller nor its associates are interested in any Shares. Accordingly, none of the Shareholders has an interest in the PMM Framework Agreement which is different from the other Shareholders and no Shareholder is required to abstain from voting on the resolution in relation to the PMM Framework Agreement and the proposed caps to be proposed at the EGM.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) a letter from the Board setting out details of the PMM Framework Agreement and the proposed caps in relation thereto; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (iv) a notice of the EGM; and (v) other information required under the Listing Rules, will be despatched to the Shareholders on or before October 27, 2016.

WARNING

Completion is conditional upon the fulfillment (or waiver, where applicable) of certain conditions as set out in the announcement issued by the Company on August 30, 2016. Accordingly, the Acquisition may or may not proceed and the PMM Framework Agreement may or may not take effect. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares or other securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their position or as to the actions that they should take.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

- | | |
|----------------|---|
| “Acquisition” | the sale and purchase of the entire issued share capital of the Target Company as contemplated under the sale and purchase agreement entered into between the Company, Pinyu Limited and the Seller on August 30, 2016; |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules; |

“Board”	the board of Directors;
“Brain Hospital”	Guangdong 999 Brain Hospital* (廣東三九腦科醫院);
“Company”	Phoenix Healthcare Group Co. Ltd (鳳凰醫療集團有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the sale and purchase agreement entered into between the Company, Pinyu Limited and the Seller on August 30, 2016;
“Completion Date”	the date of completion of the Acquisition pursuant to the sale and purchase agreement entered into between the Company, Pinyu Limited and the Seller on August 30, 2016;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning given to it under the Listing Rules;
“CR Bank”	China Resources Bank of Zhuhai Co., Ltd.* (珠海華潤銀行股份有限公司), a municipal bank headquartered in Zhuhai, in which CRC holds approximately a 75.33% equity interest as at the date of this announcement;
“CR Holdings”	China Resources (Holdings) Company Limited (華潤(集團)有限公司), a company incorporated in Hong Kong with limited liability and the indirect holding company of the Seller;
“CR Leasing”	China Resources Leasing Company Limited Shanghai Branch* (華潤租賃有限公司上海分公司), a branch company registered in the PRC, in which CR Holdings holds a 100% equity interest as at the date of this announcement;
“CRC”	China Resources Co., Limited (華潤股份有限公司), a joint stock limited liability company incorporated in the PRC, which is the holding company of CR Holdings;
“Deposit”	the fixed term deposit in the amount of RMB51 million placed by Brain Hospital with CR Bank;
“Director”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the PMM Framework Agreement and the proposed caps in relation thereto;

“Enlarged Group”	the Group and the Target Group;
“Finance Lease Agreement”	the finance lease agreement entered into between Huaikuang Hospital Group and CR Leasing dated May 3, 2016;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Huaikuang Hospital Group”	Huaibei Miner General Hospital Group* (淮北礦工總醫院集團);
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Kwong Kwok Kong, Ms. Cheng Hong, Mr. Sun Jianhua and Mr. Lee Kar Chung Felix, all being independent non-executive Directors, to consider the terms of the PMM Framework Agreement and the proposed caps in relation thereto and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution regarding the PMM Framework Agreement and the proposed caps;
“Independent Financial Adviser” or “Sommerley”	Sommerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the PMM Framework Agreement and the proposed caps in relation thereto;
“Independent Shareholders”	Shareholders who will not be required under the Listing Rules to abstain from voting at the EGM;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PMM Items”	pharmaceuticals, medical device and medical consumables;
“PMM Framework Agreement”	the pharmaceuticals, medical device and medical consumables supply framework agreement entered into between the Company and CR Holdings dated October 5, 2016;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;

“Seller”	China Resources Healthcare Group Limited, a limited liability company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of CR Holdings;
“Share(s)”	share(s) with a par value of HK\$0.00025 each in the share capital of the Company;
“Shareholder(s)”	Holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subject Institutions”	Xukuang Hospital, Huaikuang Hospital Group, Brain Hospital, 999 Clinic and Wugang Hospital Group;
“subsidiary”	has the meaning given to it under the Listing Rules;
“Target Company”	Ample Mighty Limited, a wholly-owned subsidiary of the Seller incorporated in the British Virgin Islands;
“Target Group”	the Target Company and its subsidiaries;
“Wugang Hospital Group”	the hospital group comprising China Resources Wugang General Hospital* (華潤武鋼總醫院), Wuhan Iron and Steel (Group) Corporation No. 2 Staff Hospital* (武漢鋼鐵(集團)公司第二職工醫院) and their subsidiary institutions;
“Xukuang Hospital”	Xuzhou Mining Hospital* (徐州市礦山醫院); and
“999 Clinic”	999 Medical Clinic (Shenzhen) Co., Ltd.* (三九醫療門診部(深圳)有限責任公司), also known as 三九門診部.

* For identification purpose only

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

Hong Kong, October 5, 2016

As at the date of this announcement, the Board comprises Ms. XU Jie, Mr. LIANG Hongze, Mr. ZHANG Xiaodan, Mr. XU Zechang, Mr. JIANG Tianfan, Mr. SHAN Baojie and Mr. CHENG Libing as executive Directors; Mr. KWONG Kwok Kong, Ms. CHENG Hong, Mr. SUN Jianhua and Mr. LEE Kar Chung Felix as independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.