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CR Phoenix

China Resources Phoenix Healthcare Holdings Company Limited

華潤鳳凰醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1515)

CONTINUING CONNECTED TRANSACTIONS

NEW FRAMEWORK AGREEMENT

Due to operational needs, the Board expects that the Existing PMM Purchase Caps under the Original Framework Agreement will not be sufficient for the expected transaction amounts for the purchase of PMM Items from CRH for the years ending December 31, 2017 and 2018. The Board therefore proposes to increase the annual caps for the purchase of PMM Items by setting the New PMM Purchase Caps under the New Framework Agreement.

Listing Rules implications for New Framework Agreement

At the date of this announcement, CRH is a controlling shareholder of the Company. Therefore, the New 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 New PMM Purchase Caps exceeds 5%, the New Framework Agreement and the New PMM Purchase Caps are subject to the requirements of reporting, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules.

STRATEGIC COOPERATION AGREEMENTS

The Company has entered into the CR Bank Strategic Cooperation Agreement with CR Bank for the deposit services and use of other financial services and products of CR Bank. The Company has also entered into the CR Trust Strategic Cooperation Agreement with CR Trust for the use of the financial services and products provided by CR Trust. The Strategic Cooperation Agreements were entered into on July 21, 2017 for a term commencing on July 21, 2017 and ending on December 31, 2019.

Listing Rules implications for the Strategic Cooperation Agreements

At the date of this announcement, CRC is the holding company of CRH, a controlling shareholder of the Company, and owns approximately 75.33% interests and 51% interests in CR Bank and CR Trust respectively. Therefore, CR Bank and CR Trust are both connected persons of the Company by virtue of being associates of a controlling shareholder of the Company and the Strategic Cooperation Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As some of the financial products (such as wealth management products) provided by CR Bank and CR Trust are similar in nature, the proposed daily maximum amounts for the principal amount and interest in relation to such financial products are aggregated for the purpose of calculation of the applicable percentage ratios under the Listing Rules.

As the financial services and/or products where only service fees and commissions will be charged by CR Bank and CR Trust are similar in nature, the proposed annual caps for such service fees and commissions for the provision of such financial services and/or products by CR Bank and CR Trust under the Strategic Cooperation Agreements are aggregated for the purpose of calculation of the applicable percentage ratios under the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the annual caps for the deposit services by CR Bank under the CR Bank Strategic Cooperation Agreement and the aggregate annual caps for the provision of financial products and services by CR Bank and CR Trust under the Strategic Cooperation Agreements exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the Strategic Cooperation Agreements are only subject to reporting, announcement and annual review requirement but are exempted from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL INFORMATION AND EXTRAORDINARY GENERAL MEETING

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, approve the New Framework Agreement and the New PMM Purchase Caps thereunder. The Independent Board Committee, comprising all independent non-executive Directors, has been established to consider the New Framework Agreement and the New PMM Purchase Caps thereunder and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution regarding the New Framework Agreement and the New PMM Purchase Caps thereunder. 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 New Framework Agreement and the New PMM Purchase Caps thereunder.

As at the date of this announcement, CRH is a controlling shareholder of the Company, and has a material interest in the New Framework Agreement. As such, CRH and its associates shall abstain from voting on the ordinary resolution(s) approving the New Framework Agreement and the New PMM Purchase Caps thereunder at the EGM.

A circular containing, among other things, (i) a letter from the Board setting out details of the New Framework Agreement and the New PMM Purchase Caps thereunder; (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 August 11, 2017.

NEW FRAMEWORK AGREEMENT

Reference is made to the announcement dated October 5, 2016, the circular dated October 7, 2016 and the announcement dated October 31, 2016 of the Company in relation to, among other things, the Original Framework Agreement and the purchase of PMM Items contemplated thereunder, which constitute continuing connected transactions of the Company. The Original Framework Agreement and the Existing PMM Purchase Caps were approved at the extraordinary general meeting of the Company on October 31, 2016.

Due to operational needs, the Board expects that the Existing PMM Purchase Caps under the Original Framework Agreement will not be sufficient for the expected transaction amounts for the purchase of PMM Items from CRH for the years ending December 31, 2017 and 2018. The Board therefore proposes to increase the annual caps for the purchase of PMM Items by setting the New PMM Purchase Caps under the New Framework Agreement.

In this connection, the Company and CRH entered into the New Framework Agreement on July 21, 2017, the details of which are set out below.

Date : July 21, 2017

Parties : the Company and CRH

Term : The term of the New Framework Agreement is from the date on which the approval of the New Framework Agreement by the Independent Shareholders has been obtained to December 31, 2019.

Save for the annual caps and the term, all the principal terms of the New Framework Agreement follow the Original Framework Agreement. The Original Framework Agreement shall terminate upon the New Framework Agreement being approved by the Independent Shareholders.

NEW CAPS FOR PMM ITEM PURCHASE

Principal Terms under the Original Framework Agreement

Set out below are the brief summary of the principal terms of the Original Framework Agreement, the Existing PMM Purchase Caps and the New PMM Purchase Caps.

Date : October 5, 2016

Parties : the Company and CRH

Term : The term of the Original Framework Agreement is from October 31, 2016 to December 31, 2018.

Pursuant to the Original Framework Agreement, CRH may, through its subsidiaries, supply PMM Items to the Group and the Sponsored Hospitals from time to time. The Group and the Sponsored Hospitals may place purchase orders for the PMM Items with CRH or its subsidiaries from time to time and CRH or its subsidiaries may sell the products to the Group and the 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 Original Framework Agreement.

Pricing policy for PMM Item purchase

The price of the PMM Items under the Original 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 CRH or its subsidiaries for their supply of the relevant product to no less than three hospitals of similar grade.

In accordance with the relevant guiding opinions and implementation notice issued by the PRC regulators in 2015, the procurement of pharmaceutical products by public hospitals and medical institutions in the PRC is subject to a centralised tendering process.

The centralised tendering process generally operates as follows:

- (i) Public hospitals and medical institutions in different provinces and cities in the PRC will submit the types of medical and pharmaceutical products and consumables (except for decoction pieces) required in their ordinary course of business to the centralized procurement platform in the relevant province or region, where the suppliers will submit their bidding prices in respect of the relevant products and consumables.
- (ii) The relevant governmental authority will then determine the selling price of a particular medical and pharmaceutical product or consumable in the relevant province or region by taking into consideration mainly the bidding prices, quality of the product or consumable and the comprehensive capability of different suppliers, and from which supplier(s) the hospitals and medical institutions in that province or region may purchase the product or consumable at such selling price.
- (iii) Due to the nature and operation of the above tendering process, the selling price for the same type of product or consumable may vary across different provinces and regions.

Accordingly, the Group's and/or the Sponsored Hospitals' purchase of PMM Items from CRH or its subsidiaries is also subject to such centralised tendering system in the PRC and, CRH similar to other independent third party suppliers, is required to go through the selection and approval procedures adopted by the Group and/or the Sponsored Hospitals as well as the commercial negotiation process in order to become a supplier of the Group and/or the Sponsored Hospitals. The parties also negotiate the terms of sales based on the business needs of, and the suitability of PMM Items to, the Group and/or the Sponsored Hospitals in the ordinary and usual course of business. After completion of the above-mentioned centralised tendering process and commercial negotiation, CRH or its subsidiaries will supply the PMM Items to the Group and/or the Sponsored Hospitals on the agreed terms and conditions upon receiving purchase orders specifying the brand, volume and types of products and consumables.

If the supply of PMM Items from CRH or its subsidiaries to the Group and the Sponsored Hospitals are subject to open tendering process, to ensure fairness of the process, certain designated personnel will be appointed to survey the price of designated PMM Items 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 and the Sponsored Hospitals, the Company is always able to stay aware of the fair market terms for different supplies.

Historical transaction amounts of PMM Item Purchase

- (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, (c) Xukuang Hospital and (d) the Group and the remaining Sponsored Hospitals for the three financial years ended December 31, 2016 and five months ended May 31, 2017:

	Financial year ended December 31, 2014 (RMB)	Financial year ended December 31, 2015 (RMB)	Financial year ended December 31, 2016 (RMB)	Five months ended May 31 2017 (RMB)
Wugang Hospital Group	296 million	274 million	359 million	190 million
Huaikuang Hospital Group	307 million	284 million	356 million	172 million
Xukuang Hospital	53 million	65 million	97 million	43 million
The Group and the remaining Sponsored Hospitals	<u>1,234 million</u>	<u>1,434 million</u>	<u>1,414 million</u>	<u>551 million</u>
Total	<u>1,890 million</u>	<u>2,057 million</u>	<u>2,226 million</u>	<u>956 million</u>

- (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, (c) Xukuang Hospital and (d) the Group and the remaining Sponsored Hospitals from CRH and its subsidiaries for the three financial years ended December 31, 2016 and the five months ended May 31, 2017:

	Financial year ended December 31, 2014 (RMB)	Financial year ended December 31, 2015 (RMB)	Financial year ended December 31, 2016 (RMB)	Five months ended May 31, 2017 (RMB)
Wugang Hospital Group	74 million	73 million	118 million	94 million
Huaikuang Hospital Group	2 million	3 million	50 million	106 million
Xukuang Hospital	–	–	–	–
The Group and the remaining Sponsored Hospitals	<u>19 million</u>	<u>18 million</u>	<u>21 million</u>	<u>22 million</u>
Total	<u>95 million</u>	<u>94 million</u>	<u>189 million</u>	<u>222 million</u>

- (iii) The table below sets out the historical percentages of procurement of the PMM Items from CRH and its subsidiaries out of the total procurement of the PMM Items by (a) Wugang Hospital Group, (b) Huaikuang Hospital Group, (c) Xukuang Hospital and (d) the Group and the remaining Sponsored Hospitals for the three financial years ended December 31, 2016 and the five months ended May 31, 2017:

	Financial year ended December 31, 2014 (%)	Financial year ended December 31, 2015 (%)	Financial year ended December 31, 2016 (%)	Five months ended May 31, 2017 (%)
Wugang Hospital Group	25.0	26.6	32.9	49.5
Huaikuang Hospital Group	0.7	1.1	14.0	61.6
Xukuang Hospital	–	–	–	–
The Group and the remaining Sponsored Hospitals	1.5	1.3	1.5	4.0
Total	5.0	4.6	8.5	23.2

The historical transaction amounts set out above include the amount of Ample Mighty Limited, its subsidiaries and the hospitals sponsored by them. The acquisition of Ample Mighty Limited by the Company was completed on October 31, 2016.

Existing PMM Purchase Caps

The table below sets out the Existing PMM Purchase Caps for the period from October 31, 2016 to December 31, 2016 and the two financial years ending December 31, 2018, which were approved at the extraordinary general meeting of the Company on October 31, 2016.

For the period from October 31, 2016 to December 31, 2016 (RMB)	Financial year ending December 31, 2017 (RMB)	Financial year ending December 31, 2018 (RMB)
66.5 million	509 million	538.5 million

The Existing PMM Purchase Caps for the period from October 31, 2016 to December 31, 2016 were not exceeded. As at the date of this announcement, the Existing PMM Purchase Caps for the year ending December 31, 2017 have not been exceeded.

New PMM Purchase Caps

The table below sets out the New PMM Purchase Caps for the three financial years ending December 31, 2019.

Financial year ending December 31, 2017 (RMB)	Financial year ending December 31, 2018 (RMB)	Financial year ending December 31, 2019 (RMB)
970 million	1,500 million	1,710 million

Basis for the New PMM Purchase Caps

The New PMM Purchase Caps are determined with reference to:

- (i) the total historical transaction amounts as set out above;
- (ii) the percentages of utilization of the Existing Annual Caps under the Original Framework Agreement for the period from November 1, 2016 to December 31, 2016 and five months ended May 31, 2017, being 97% and 44% respectively due to the unexpected increase in the purchase of PMM Items from CRH as a result of reasons mentioned below;
- (iii) The increase in the procurement of the PMM Items from CRH (or its subsidiaries) which was principally attributable to:
 - a. increase of inpatient and outpatient visit of hospitals managed by the Group as follows:
 - The compound annual growth rate of in the range of approximately 7.2% of inpatient visit of hospitals managed by the Group for the three financial years ended December 31, 2016;
 - The compound annual growth rate of in the range of approximately 10.7% of outpatient visit of hospitals managed by the Group for the three financial years ended December 31, 2016;
 - b. the expected substantive increase in purchase of pharmaceuticals from CRH by the hospitals managed by the Group, taking into account:
 - The increase of pharmaceutical types supplied by CRH to Huaikuang Hospital Group and Wugang Hospital Group; it is expected that the percentage of pharmaceutical procurement from CRH out of these two hospitals' total pharmaceutical procurement to be increased from approximately 22% for the financial year ended December 31, 2016 to approximately 78% to 99% for the three financial years ending December 31, 2019;
 - The plan of Xukuang Hospital to have CRH as its main supply channel so as to enjoy bulk purchase discounts; it is expected that the percentage of pharmaceutical procurement from CRH out of Xukuang Hospital's total pharmaceutical procurement to be increased from approximately 0% for the financial year ended December 31, 2016 to approximately 51% to 100% for the three financial years ending December 31, 2019;
 - The plan of the Group's wholly-owned supply chain subsidiary in Beijing to purchase certain types of pharmaceutical products from CRH so as to enjoy bulk purchase discounts; it is expected that the percentage of pharmaceutical procurement from CRH out of total pharmaceutical procurement to be increased from approximately 2% for the financial year ended December 31, 2016 to approximately 17% to 19% for the three financial years ending December 31, 2019;

- c. the expected substantive increase in purchase of medical device and medical consumables from CRH due to further integration and centralized management of the Group's supply chain; it is expected that the percentage of medical device procurement from CRH out of total medical device procurement to be increased from approximately 8% for the financial year ended December 31, 2016 to approximately 21% to 32% for the three financial years ending December 31, 2019; and
- d. a buffer of approximately 5% to 10% per year for the three financial years ending December 31, 2019 to accommodate the possible expansion of the Group's hospital network and the unforeseeable circumstances (including future price inflation increase).

THE STRATEGIC COOPERATION AGREEMENTS

A. CR Bank Strategic Cooperation Agreement

Principal Terms

The principal terms of the CR Bank Strategic Cooperation Agreement are set out as follows:

(1) *Date*

July 21, 2017

(2) *Parties*

(a) CR Bank; and

(b) The Company

(3) *Terms*

From July 21, 2017 to 31 December 2019

(4) *Scope of services*

The Group and the Sponsored Hospitals may place deposits with CR Bank and use other financial services and products of CR Bank, including (but not limited to) the provision of letters of credit, guarantee, loans with collaterals, bill of exchange and discount services, assignment of receivables, RMB and foreign exchange settlement, entrusted loans and collaterals, financial and cash management services, financial advisory services and other financial services and products as agreed by the parties.

(5) *Pricing basis*

The deposits placed with CR Bank will bear the same interest and will be on the same terms and conditions as would apply to similar deposits made by other independent customers of CR Bank, which rates are determined with reference to the rates published by the People's Bank of China ("PBOC") or such other preferred rates in the market.

The fees and charges for other financial services and products provided by CR Bank will be determined by arm's length basis negotiations between the parties and based on normal commercial terms, and shall not be higher than the rates published by CR Bank that are applicable to its independent customers.

Historical amounts

Set out below are the approximate historical amounts of the maximum daily deposit (inclusive of interest receivable) placed by the Group and the Sponsored Hospitals with CR Bank during the three years ended 31 December 2016:

	For the years ended 31 December		
	2014	2015	2016
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(million)</i>		
Maximum daily deposit amount placed with CR Bank (inclusive of interest receivable) ⁽¹⁾	83	313	306
Maximum daily principal amount and interest in relation to financial products to be provided by CR Bank ⁽¹⁾	<u>0</u>	<u>50</u>	<u>20</u>

Note:

- (1) The above maximum daily deposit amount or daily principal amount and interest is applicable for each day during the relevant period, and is calculated on an individual basis remaining as of the end of each day, without aggregating the amount incurred on the days before.
- (2) The historical amounts include the amount of Ample Mighty Limited, its subsidiaries and the hospitals sponsored by them. The acquisition of Ample Mighty Limited by the Company was completed on October 31, 2016.

The Group and the Sponsored Hospitals have from time to time procured loan-related services from CR Bank, where the Group and the Sponsored Hospitals have not been required to provide any security for such loans. As no security over the assets of the Group and the Sponsored Hospitals has been or will be provided for the loans, such loan-related services provided by CR Bank have been or will be fully exempted from compliance with the relevant requirements in Chapter 14A of the Listing Rules pursuant to Rule 14A.90 of the Listing Rules. Accordingly, the interests and fees that the Group and the Sponsored Hospitals paid and are expected to pay for such loan-related services provided by CR Bank are not included in the above historical amounts and the annual caps set out below.

Annual Caps and Basis of Determination

The proposed maximum daily deposits (inclusive of interest receivable) which may be placed by the Group and the Sponsored Hospitals with CR Bank and the proposed annual caps for the principal amount and interest in relation to financial products provided by CR Bank and the service fees and commissions payable by the Group and the Sponsored Hospitals for other financial products and services to be provided by CR Bank during the term of the CR Bank Strategic Cooperation Agreement are as follows:

	For the years ended 31 December		
	2017	2018	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
		<i>(million)</i>	
Maximum daily deposit amount placed with CR Bank (inclusive of interest receivable) ⁽¹⁾	300	300	300
Maximum daily principal amount and interest in relation to financial products to be provided by CR Bank ⁽¹⁾	200	200	200
Maximum service fees and commissions for other financial products and services to be provided by CR Bank	<u>3</u>	<u>3</u>	<u>3</u>

Note:

- (1) The above maximum daily deposit amount or daily principal amount and interest is applicable for each day during the relevant period, and is calculated on an individual basis remaining as of the end of each day, without aggregating the amount incurred on the days before.

The proposed (1) maximum daily amounts for the deposit balance and the maximum daily amounts for the principal amount and interest in relation to financial products provided by CR Bank and (2) annual caps for the service fees and commissions for other financial products and services under the CR Bank Strategic Cooperation Agreement, are determined taking into account, among other things, (a) the amounts of historical transactions between the Group and the Sponsored Hospitals and CR Bank; (b) the Company's plan to start placing more deposit with CR Bank as a part of the Company's plan to improve its cash management and diversify its investment risk which may arise from potential over-reliance on certain banks; (c) the liquidity and need for capital management of the Group and the Sponsored Hospitals; and (d) the anticipated growth in the business of the Group and the Sponsored Hospitals leading to increase in net cash inflow of the Group and the Sponsored Hospitals which may be deposited with or used for the purchase of financial services or products from CR Bank.

The deposit rates for RMB-denominated deposits were historically set by the PBOC whilst the PBOC has gradually liberalised its regulation of deposit rates in the recent years, allowing commercial banks in the PRC more flexibility to determine the interest rate for RMB-denominated deposits. Accordingly, pursuant to the CR Bank Strategic Cooperation Agreement, the deposit rates in relation to the deposits placed by CR Bank shall be determined with reference to the benchmark rates published by the PBOC or other preferred rates in the market as offered by CR Bank.

B. CR Trust Strategic Cooperation Agreement

Principal Terms

The principal terms of the CR Trust Strategic Cooperation Agreement are set out as follows:

(1) *Date*

July 21, 2017

(2) *Parties*

(a) CR Trust; and

(b) The Company

(3) *Terms*

From July 21, 2017 to December 31, 2019

(4) *Scope of services*

The Group and the Sponsored Hospitals may use the services and products provided by CR Trust, including (but not limited to) cash management, asset management, custodian trust loan services, assignment of receivables, advisory services in relation to redemptory monetary capital for sale, and other financial or trust services and products as agreed by the parties.

(5) *Pricing basis*

The services and products will be provided by CR Trust on normal commercial terms which apply to its other independent customers.

Historical amounts

The Group and the Sponsored Hospitals had not used other services or products of CR Trust.

Annual Caps and Basis of Determination

The proposed annual caps for the principal amount and interest in relation to financial products provided by CR Trust and the service fees and commissions payable by the Group and the Sponsored Hospitals for other financial products and services to be provided by CR Trust during the term of the CR Trust Strategic Cooperation Agreement are as follows:

	For the years ended 31 December		
	2017	2018	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(million)</i>		
Maximum daily principal amount and interest in relation to financial products to be provided by CR Trust ⁽¹⁾	100	100	100
Maximum service fees and commissions for other financial products and services provided by CR Trust	<u>3</u>	<u>3</u>	<u>3</u>

Note:

- (1) The above maximum daily principal amount and interest is applicable for each day during the relevant period, and is calculated on an individual basis remaining as of the end of each day, without aggregating the amount incurred on the days before.

The proposed (1) maximum daily amounts for the principal amount and interest in relation to financial products provided by CR Trust and (2) annual caps for service fees and commissions for other financial products and services under the CR Trust Strategic Cooperation Agreement, are determined taking into account, among other things, (a) the liquidity and need for capital management of the Group and the Sponsored Hospitals; (b) the business needs of the Group and the Sponsored Hospitals; (c) the anticipated need for financial or trust services in relation to potential fund raising activities or other transactions to be engaged by the Group and the Sponsored Hospitals; and (d) the anticipated growth in the business of the Group and the Sponsored Hospitals leading to increase in net cash inflow of the Group and the Sponsored Hospitals which may be used for purchase of financial services or products from CR Trust.

Financial products and services from CR Bank and CR Trust

The pricing terms of the financial services and products provided by CR Bank and/or CR Trust vary from the type and nature of the financial services and products. To the best knowledge and information of the Company, the principal amount and interest in relation to financial products provided by CR Bank and CR Trust and the service fees and commissions payable by the Group and the Sponsored Hospitals for other financial products and services provided by CR Bank and CR Trust are normally determined by CR Bank and CR Trust (as the case may be) by taking into account various factors:

- (i) in relation to the financial products to be provided by CR Bank and CR Trust, the amount of principal and interests in relation to such financial products generally depends on the size, nature and quality of the financial products; and
- (ii) in relation to the financial services to be provided by CR Bank and/or CR Trust where only service fees and/or commissions are payable by the Group and the Sponsored Hospitals, such service fees and commissions are generally determined and charged by CR Bank and/or CR Trust based on the prevailing market rates for the similar type, nature and quality of financial services at the time of the transaction.

As part of the Group's internal approval and monitoring procedures relating to the transactions with CR Bank, the Group will obtain quote from other independent financial institutions for similar deposit services for similar duration before it enters into any new deposit arrangement with CR Bank and such quotes, together with the offer from CR Bank, will be reviewed and passed by the Group's internal approval procedures. In addition, the Group will also obtain quote from, or compare the amount of principal and interests of financial products or service fees offered by, other independent financial service providers before it decides to purchase the financial products or use the financial services offered by CR Bank and/or CR Trust.

Reasons for and benefits of the strategic cooperation agreements

The Strategic Cooperation Agreements will enable the Group to enhance its overall liquidity, optimize its utilization of cash and capital, and benefit from greater flexibility in the Group's cash and capital management for generation of better return.

Under the Strategic Cooperation Agreements, the Group is not required to exclusively use the deposit services and other financial services and products provided by CR Bank and/or CR Trust. The Board is of the view that the Group will retain the flexibility and discretion in selecting CR Bank, CR Trust, and/or other independent financial institutions or commercial banks taking into consideration its business needs and the fees and quality of services and products offered.

All Directors (including the independent non-executive Directors) consider that each of the Strategic Cooperation Agreements was negotiated on an arm's length basis based on normal commercial terms and in the ordinary and usual course of business of the Group, and the relevant terms and annual caps thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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 and hospital management services in the PRC.

CRC and CRH

CRH 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. CRC is the holding company of CRH.

CR Bank

CR Bank is a licensed bank regulated by the China Banking Regulatory Commission and is 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 Trust

CR Trust is an integrated financial service provider headquartered in Shenzhen, the PRC, and is authorized by the relevant regulatory body to operate and conduct business on a nationwide basis in the PRC.

Listing Rules implications for New Framework Agreement

At the date of this announcement, CRH is a controlling shareholder of the Company. Therefore, the New 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 New PMM Purchase Caps exceeds 5%, the New Framework Agreement and the New PMM Purchase Caps are subject to the requirements of reporting, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules. Since Mr. Wang Yin, Mr. Wang Yan, Mr. He Xuan and Mr. Liang Hongze are Directors appointed under the nomination of CRC, they have abstained from voting on the relevant board resolutions in relation to the New Framework Agreement.

Listing Rules implications for the Strategic Cooperation Agreements

At the date of this announcement, CRC is the holding company of CRH, a controlling shareholder of the Company, and owns approximately 75.33% interests and 51% interests in CR Bank and CR Trust respectively. Therefore, CR Bank and CR Trust are both connected persons of the Company by virtue of being associates of a controlling shareholder of the Company and the Strategic Cooperation Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As some of the financial products (such as wealth management products) provided by CR Bank and CR Trust are similar in nature, the proposed daily maximum amounts for the principal amount and interest in relation to such financial products are aggregated for the purpose of calculation of the applicable percentage ratios under the Listing Rules.

As the financial services and/or products where only service fees and commissions will be charged by CR Bank and CR Trust are similar in nature, the proposed annual caps for such service fees and commissions for the provision of such financial services and/or products by CR Bank and CR Trust under the Strategic Cooperation Agreements are aggregated for the purpose of calculation of the applicable percentage ratios under the Listing Rules.

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the annual caps for the deposit services by CR Bank under the CR Bank Strategic Cooperation Agreement and the aggregate annual caps for the provision of financial products and services by CR Bank and CR Trust under the Strategic Cooperation Agreements exceed 0.1% but are less than 5%, the continuing connected transactions contemplated under the Strategic Cooperation Agreements are only subject to reporting, announcement and annual review requirement but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Since Mr. Wang Yin, Mr. Wang Yan, Mr. He Xuan and Mr. Liang Hongze are Directors appointed under the nomination of CRC, they have abstained from voting on the relevant board resolutions in relation to the Strategic Cooperation Agreements.

INTERNAL CONTROL MEASURES

The Group has implemented adequate internal control measures for monitoring all of its continuing connected transactions, including (without limitation) the regular reporting of transaction volume to the Group's finance department for monitoring the annual caps of the relevant transactions.

In addition, the Company's auditors and independent non-executive Directors will conduct annual review of the transactions contemplated under the New Framework Agreement and the Strategic Cooperation Agreements and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the New Framework Agreement and the Strategic Cooperation Agreements, on normal commercial terms, in the interest of the Company and its shareholders as a whole, and in accordance with the relevant pricing policies.

GENERAL

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, approve the New Framework Agreement and the New PMM Purchase Caps thereunder.

Having considered the above reasons in relation to the execution of the New Framework Agreement and taking into account the basis of determination of the New PMM Purchase 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 New Framework Agreement and the New PMM Purchase 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 New Framework Agreement and the New PMM Purchase Caps thereunder and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution regarding the New Framework Agreement and the New PMM Purchase Caps thereunder. None of the members of the Independent Board Committee has any material interest in the New 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 New Framework Agreement and the New PMM Purchase Caps thereunder.

Any Shareholders who have a material interest in the New 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, CRH is a controlling shareholder of the Company, and has a material interest in the New Framework Agreement. As such, CRH and its associates shall abstain from voting on the ordinary resolution(s) approving the New Framework Agreement and the New PMM Purchase Caps thereunder at the EGM.

Save as disclosed above, as at the date of this announcement, no other Shareholder has any material interests in the New Framework Agreement and no other Shareholder is required to abstain from voting on the ordinary resolution(s) approving the New Framework Agreement and the New PMM Purchase Caps thereunder at the EGM.

A circular containing, among other things, (i) a letter from the Board setting out details of the New Framework Agreement and the New PMM Purchase Caps thereunder; (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 August 11, 2017, as additional time is required for preparing and finalising the content of the circular.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Company”	China Resources Phoenix Healthcare Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“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 Bank Strategic Cooperation Agreement”	the strategic cooperation agreement entered into by CR Bank and the Company on July 21, 2017;
“CR Trust”	China Resources SZITIC Trust Co., Ltd. (華潤深國投信託有限公司), in which CRC holds a 51% equity interest as at the date of this announcement;
“CR Trust Strategic Cooperation Agreement”	the strategic cooperation agreement entered into by CR Trust and the Company on July 21, 2017;

“CRC”	China Resources Co., Limited, a joint stock limited liability company incorporated in the PRC, which is the holding company of CRH and the banking and trust activities in which the CRC Group has an interest;
“CRC Group”	CRC, CRH and their respective subsidiaries;
“CRH”	China Resources (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and the intermediate holding company of the CRC Group in Hong Kong, holding all the CRC Group’s material interests apart from its banking and trust activities;
“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 New Framework Agreement and the New PMM Purchase Caps thereunder;
“Existing PMM Purchase Caps”	the existing caps for the purchase of PMM Items under the Original Framework Agreement for the period from October 31, 2016 to December 31, 2016 and the two financial years ending December 31, 2018 approved at the extraordinary general meeting of the Company on October 31, 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 New Framework Agreement and the New PMM Purchase Caps thereunder and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution regarding the New Framework Agreement and the New PMM Purchase Caps thereunder;

“Independent Financial Adviser” or “Somerley”	Somerley 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 New Framework Agreement and the New PMM Purchase Caps thereunder;
“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;
“Original Framework Agreement”	the framework agreement entered into between the Company and the CRH dated October 5, 2016 as detailed in the announcement issued by the Company on October 5, 2016;
“PMM Items”	pharmaceuticals, medical device and medical consumables;
“New PMM Purchase Caps”	the proposed caps for the purchase of PMM Items under the New Framework Agreement for the three financial years ending December 31, 2019 subject to the approval of the Independent Shareholders at the EGM;
“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;
“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);
“Sponsored Hospital(s)”	the hospital(s) in the PRC whose sponsor (舉 辦 人) is the Company or its subsidiary;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Strategic Cooperation Agreements”	CR Bank Strategic Cooperation Agreement and CR Trust Strategic Cooperation Agreement;
“New Framework Agreement”	the New Framework Agreement entered into between the Company and CRH dated July 21, 2017;
“subsidiary”	has the meaning given to it under the Listing Rules;

“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; and

“Xukuang Hospital” Xuzhou Mining Hospital* (徐州市礦山醫院).

* *For identification purpose only*

By Order of the Board
China Resources Phoenix Healthcare Holdings Company Limited
WU Potao
Executive Director

Beijing, July 21, 2017

As at the date of this announcement, the Board comprises Mr. WANG Yin, Mr. WANG Yan, Mr. HE Xuan, and Mr. LIANG Hongze as non-executive Directors; Mr. CHENG Libing, Mr. WU Potao and Mr. XU Zechang as executive Directors; Mr. KWONG Kwok Kong, Ms. CHENG Hong, Mr. SUN Jianhua and Mr. LEE Kar Chung Felix as independent non-executive Directors.