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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)**

**REVISION OF ANNUAL CAP FOR  
EXISTING CONTINUING CONNECTED TRANSACTIONS  
UNDER THE YAN HUA IOT AGREEMENT**

This announcement is made pursuant to Rule 14A.54 of the Listing Rules.

Reference is made to the Announcement and the section titled “Connected Transactions — Non-Exempt Continuing Connected Transactions with Yan Hua Hospital Group” in the Prospectus.

Based on the unaudited management accounts of Yan Hua Hospital Group for the 11 months ended November 30, 2014, its operating performance has continuously improved on a year-on-year basis. Both patient visits, particularly in-patient visits, and average revenue per patient have increased, resulting in higher revenue and better gross profit margin as compared to the same period in the previous year. During the same period of time, the operating expenses and other costs of Yan Hua Hospital Group have grown at a rate lower than the growth in its revenue, thereby leading to an increase in its net profit before tax and hence higher management fees for the Group during this period. In view of the strong operating performance of Yan Hua Hospital Group for the 11 months ended November 30, 2014, the Company expects that the Existing Annual Cap for the year ending December 31, 2014 will not be sufficient. Accordingly, the Company has decided to revise the Existing Annual Cap for the year ending December 31, 2014.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Revised Annual Cap is more than 0.1% but less than 5%, the Revised Annual Cap is only subject to the reporting and announcement requirements but is exempted from the Independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

## BACKGROUND INFORMATION

This announcement is made pursuant to Rule 14A.54 of the Listing Rules.

Reference is made to the Announcement and the section titled “Connected Transactions — Non-Exempt Continuing Connected Transactions with Yan Hua Hospital Group” in the Prospectus.

Beijing Phoenix, the Company’s wholly-owned subsidiary, Yan Hua Hospital Group and Yan Hua Phoenix entered into the Yan Hua IOT Agreement. Pursuant to the Yan Hua IOT Agreement, Beijing Phoenix agreed to (i) pay Yan Hua Phoenix the Consideration and (ii) make the Investment into Yan Hua Hospital Group prior to 2015, in exchange for the right to manage Yan Hua Hospital and to receive the Management Fees from Yan Hua Hospital Group until July 17, 2055. The annual caps on the Management Fees and Investment Repayment under the Yan Hua IOT Agreement have been approved up to 2015 and such annual caps thereafter are subject to approval by the Independent Shareholders every three years.

## EXISTING ANNUAL CAP AND REVISED ANNUAL CAP

The Existing Annual Cap on the maximum Management Fees and Investment Repayment that the Group is entitled under the Yan Hua IOT Agreement for 2014 is RMB28.5 million (of which RMB2.0 million is Investment Repayment). For the 11 months ended November 30, 2014, the amount of Management Fees and Investment Repayment that the Group was entitled to was approximately RMB26.1 million, which did not exceed the Existing Annual Cap of RMB28.5 million for the year ending December 31, 2014.

Due to the reasons as set out in this announcement, the Company has decided to revise the Existing Annual Cap for the year ending December 31, 2014 as follows:

	<b>Existing Annual Cap for the year ending December 31, 2014</b>	<b>Actual amount accrued from the 11 months ended November 30, 2014</b>	<b>Revised Annual Cap for the year ending December 31, 2014</b>
Management Fees and Investment Repayment that the Group is entitled under the Yan Hua IOT Agreement	RMB28.5 million	RMB26.1 million	RMB38.0 million

## REASON FOR REVISING THE ANNUAL CAP

Based on the unaudited management accounts of Yan Hua Hospital Group for the 11 months ended November 30, 2014, its operating performance has continuously improved on a year-on-year basis. Both patient visits, particularly in-patient visits, and average revenue per patient have increased, resulting in higher revenue and better gross profit margin as compared to the same period in the previous year. During the same period of time, the operating expenses and other costs of Yan Hua

Hospital Group have grown at a rate lower than the growth in its revenue, thereby leading to an increase in its net profit before tax and hence higher management fees for the Group during this period. In view of the strong operating performance of Yan Hua Hospital Group for the 11 months ended November 30, 2014, the Company expects that the Existing Annual Cap for the year ending December 31, 2014 will not be sufficient. Accordingly, the Company has decided to revise the Existing Annual Cap for the year ending December 31, 2014.

The Revised Annual Cap is determined with reference to (i) the actual Management Fees and Investment Repayment accrued under the Yan Hua IOT Agreement for the year ended December 31, 2013 and the 11 months ended November 30, 2014; (ii) the estimated growth in patient numbers and average revenue per patient in December 2014; (iii) the actual slower growth in operating expenses and other costs during the 11 months ended November 30, 2014; and (iv) the expected growth in operating expenses and other costs in December 2014.

The Company will endeavour to carry out adequate supervision over the amounts of Management Fees subject to the relevant annual caps going forward with a view to ensuring that necessary measures and appropriate actions will be promptly taken in order to comply with the applicable requirements under the Listing Rules.

## **INFORMATION OF THE GROUP**

The Company is a limited liability company incorporated in the Cayman Islands and its Shares have been listed on the Stock Exchange since November 29, 2013. The Group is principally engaged in the provision of general hospital services, hospital management services and the supply of pharmaceuticals, medical devices and medical consumables to its in-network hospitals and clinics.

## **INFORMATION ON YAN HUA HOSPITAL GROUP**

Yan Hua Hospital Group includes Yan Hua Hospital, a not-for-profit and the only Grade III general hospital in the Fangshan District of Beijing, Xingcheng Hospital, a branch of Yan Hua Hospital, and 17 community clinics, primarily serving residents in the Fangshan District. Yan Hua Hospital has remained a not-for-profit medical institution after its privatization, as it is accredited as a regional medical center by the Fangshan District government and is entrusted with significant public health and contingency planning responsibilities. Yan Hua Hospital is a Medical Insurance Designated Medical Institution in Beijing.

## **LISTING RULES IMPLICATIONS**

Ms. Xu Xiaojie and Ms. Xu Jie, the Controlling Shareholders, collectively own the entire equity interest in Beijing Wantong. Beijing Wantong indirectly owns all equity interests in Yan Hua Phoenix, which in turn is the owner of Yan Hua Hospital Group. As such, Yan Hua Phoenix and Yan Hua Hospital Group are connected persons of the Company under Chapter 14A of the Listing Rules. The entering into the Yan Hua IOT Agreement by Yan Hua Hospital Group, Beijing Phoenix and Yan Hua Phoenix constitutes a continuing connected transaction of the Company under the Listing Rules.

Pursuant to the Listing Rules, if the Company proposes to revise the Existing Annual Cap for continuing connected transactions under the Yan Hua IOT Agreement, the Company must re-comply with the provisions of Chapter 14A under the Listing Rules in relation to the relevant connected transactions.

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Revised Annual Cap is more than 0.1% but less than 5%, the Revised Annual Cap is only subject to the reporting and announcement requirements but is exempted from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Given that Ms. Xu Jie has indirect interests in Yan Hua Hospital Group, she has abstained from voting on the Board resolution approving the Revised Annual Cap. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Yan Hua IOT Agreement who needs to abstain from voting on the relevant Board resolution.

## **CONFIRMATION FROM THE DIRECTORS**

The Directors, including independent non-executive Directors, confirm that the continuing connected transactions under the Yan Hua IOT Agreement are in the ordinary and usual course of business of the Group and based on normal or better commercial terms. The Directors also confirm that the Revised Annual Cap is fair and reasonable as far as the Company is concerned and thus, they are in the interests of the Shareholders as a whole.

## **DEFINITION**

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

“%”	per cent
“Announcement”	an announcement in relation to the exceeding of the original annual cap for the year ended December 31, 2013 for existing continuing connected transactions dated April 17, 2014
“Beijing Juxin Wantong”	Beijing Juxin Wantong Investment Co., Ltd. (北京聚信萬同投資有限公司), formerly known as Phoenix United Hospital Management (Beijing) Co., Ltd. (鳳凰聯盟醫院管理(北京)有限公司) and Phoenix Healthcare Investment Management (Beijing) Co., Ltd. (鳳凰醫療投資管理(北京)有限公司), a limited liability company established under the laws of the PRC on June 9, 2003, a wholly-owned subsidiary of Beijing Wantong and a connected person to the Company

“Beijing Phoenix”	Beijing Phoenix United Hospital Management Consulting Co. Ltd. (北京鳳凰聯合醫院管理諮詢有限公司), formerly known as Beijing Phoenix United Hospital Management Co., Ltd. (北京鳳凰聯合醫院管理有限公司) and Beijing Phoenix United Hospital Management Joint Stock Co., Ltd. (北京鳳凰聯合醫院管理股份有限公司), a limited liability company established under the laws of the PRC on November 6, 2007, and a wholly-owned subsidiary of the Company
“Beijing Wantong”	Beijing Phoenix Wantong Investment Management Co., Ltd. (北京鳳凰萬同投資管理有限公司), formerly known as Phoenix Hospital Management (Beijing) Co., Ltd. (鳳凰醫院管理(北京)有限公司), a limited liability company established under the laws of the PRC on April 24, 2002, and wholly-owned by the Controlling Shareholders, Ms. Xu Jie and Ms. Xu Xiaojie and another connected person to the Company
“Board”	the board of Directors of the Company
“BVI”	the British Virgin Islands
“Company”	Phoenix Healthcare Group Co. Ltd, a company with limited liability incorporated in the Cayman Islands on February 28, 2013
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	an amount of RMB72 million paid by Beijing Phoenix to Yan Hua Phoenix pursuant to the Yan Hua IOT Agreement
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and, depending on the context, refers to Ms. Xu Jie, Ms. Xu Xiaojie and Speed Key Limited or any one of them
“Director(s)”	the director(s) of the Company
“Existing Annual Cap”	the existing annual cap of the Management Fees and Investment Repayment under the Yan Hua IOT Agreement for 2014, being RMB28.5 million (of which RMB2.0 million is the Investment Repayment)
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Shareholders”	any shareholder of the Company that will not be required under the Listing Rules to abstain from voting at an extraordinary general meeting of the Company
“in-network hospitals and clinics”	collectively, Jian Gong Hospital and the IOT hospitals and clinics
“Investment”	a total of RMB150 million invested by Beijing Phoenix into Yan Hua Hospital Group pursuant to the Yan Hua IOT Agreement
“Investment Repayment”	the Investment made in the past by Beijing Phoenix that Yan Hua Hospital Group has agreed to repay pursuant to the Yan Hua IOT Agreement
“IOT”	the “invest-operate-transfer” model
“IOT hospitals and clinics”	third-party hospitals and clinics, which the Group manages and operates under the IOT
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Fees”	the management fees paid by Yan Hua Hospital Group to Beijing Phoenix pursuant to the Yan Hua IOT Agreement
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus dated November 18, 2013 issued by the Company in relation to the listing of the Company on the main board of the Stock Exchange on November 29, 2013
“Revised Annual Cap”	the revised annual cap of the Management Fees and Investment Repayment under the Yan Hua IOT Agreement for 2014, being RMB38.0 million (of which RMB2.0 million is the Investment Repayment)
“RMB”	the lawful currency of the PRC
“Share(s)”	share(s) with par value of HK\$0.00025 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Speed Key Limited”	a limited liability company incorporated in the BVI on January 30, 2013, a Controlling Shareholder and a connected person to the Company

“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Yan Hua Hospital”	Yan Hua Hospital (北京燕化醫院), a not-for-profit hospital established under the laws of the PRC in 1973 and wholly owned by Yan Hua Phoenix, which the Company started to manage and operate in February 2008 pursuant to the Yan Hua IOT Agreement and a connected person to the Company
“Yan Hua Hospital Group”	collectively, Yan Hua Hospital and 17 community clinics affiliated with Yan Hua Hospital
“Yan Hua IOT Agreement”	collectively, the hospital management right and investment framework agreement entered into on February 1, 2008, and a hospital investment management agreement on February 4, 2008 (both of which were supplemented in April 2008, December 2010, June 2011, June 2013, July 2013, September 2013 and October 2013, respectively) by Beijing Phoenix, Yan Hua Hospital Group and Yan Hua Phoenix
“Yan Hua Phoenix”	Beijing Yan Hua Phoenix Healthcare Asset Management Co., Ltd. (北京燕化鳳凰醫療資產管理有限公司), a limited liability company incorporated under the laws of the PRC on July 18, 2005, a wholly-owned subsidiary of Beijing Juxin Wantong and a connected person to the Company

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

Hong Kong, December 15, 2014

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