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PHOENIX
HEALTHCARE
GROUP
鳳凰醫療集團

Phoenix Healthcare Group Co. Ltd

鳳凰醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1515)

INSIDE INFORMATION ANNOUNCEMENT FRAMEWORK AGREEMENT

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

The Board is pleased to announce that on January 6, 2015 (after trading hours), the Company, the State Administration of Work Safety of the PRC (“**Work Safety Authority**”) and Citic Trust Co., Ltd. (“**Citic**”) entered into a non-binding cooperation framework agreement (“**Framework Agreement**”), pursuant to which the parties agreed to set up a joint venture company, “Zhongankang Healthcare Industry Investment (Beijing) Company Limited” (tentatively named) (“**JV Company**”) to establish, with the reliance on the medical institutions and nursing facilities within the system of the Work Safety Authority, a healthcare network in Beijing and other cities in the PRC that can provide general healthcare, nursing and ambulance services to the employees of the Work Safety Authority and citizens (“**Proposed Cooperation**”).

At the early stage of the Proposed Cooperation, the JV Company will implement asset restructuring on the China Meitan General Hospital (“**Meitan**”), which is under the Work Safety Authority located in Beijing, PRC, and the Occupational Medical Research Centre Shilong Hospital (“**Shilong**”), and cooperate with Meitan and Shilong under the PPP-ROT work model. Thereafter, the JV Company will further explore cooperation opportunities with other medical institutions and nursing facilities under the Work Safety Authority.

The registered capital of the JV Company is planned to be RMB1 billion. Upon the establishment of the JV Company, the JV Company will be owned as to 35%, 40% and 25% by the Company, the Work Safety Authority and Citic respectively.

The purpose of the Framework Agreement is to encapsulate the parties' preliminary views and arrangement regarding the Proposed Cooperation.

Although the Company, the Work Safety Authority and Citic intend to enter into definitive agreements as soon as specific details on the arrangement of the Proposed Cooperation are agreed upon, the Board wishes to emphasize that the Proposed Cooperation and the establishment of the JV Company may or may not proceed as they are still subject to the approval from relevant government officials. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the shares of the Company.

Should the Proposed Cooperation materialises and the related definitive agreements are entered into, the Company will comply with the Listing Rules and make relevant disclosure as applicable and appropriate.

KEY TERMS OF THE FRAMEWORK AGREEMENT

Arrangement for the Proposed Cooperation

The JV Company will cooperate with Meitan and Shilong through asset restructuring and the PPP-ROT work model to establish a healthcare network providing healthcare, nursing and ambulance services. The preliminary arrangement of the Proposed Cooperation is as follows:

1. The JV Company will assume all obligations in relation to capital investment in Meitan and Shilong. The capital investment is intended to be used for reforming Meitan and Shilong, and for their business operations management, the details of which will be further negotiated by the parties and set out in the related definitive agreements.
2. The JV Company will enter into a separate operations management agreement with Meitan and Shilong, which will set out the terms for the provision of hospital management services and the collection of management fee by the JV Company.
3. The JV Company will provide Meitan with operating assets and collect asset occupancy fees therefrom.
4. The JV Company intends to reconstruct and expand the existing hospital facility of Meitan and increase the number of operating hospital beds of Meitan to 700 beds within two years.
5. The JV Company intends to establish a new branch hospital cluster for Meitan in the Chaoyang district, Beijing, PRC within three years, providing approximately 800 operating hospital beds.
6. The JV Company will further explore cooperation opportunities with other medical institutions and nursing facilities under the Work Safety Authority.

Capital Contribution to the JV Company

The parties agreed that upon the establishment of the JV Company, the JV Company will be owned as to 40%, 25% and 35% by the Work Safety Authority, Citic and the Company. On the basis of the agreed percentage of equity ownership, the Work Safety Authority will, through Meitan, inject assets into the JV Company based on 90% of the asset value of Meitan; whereas the Company and Citic will make such amount of cash contribution to the JV Company as is proportionally to their equity ownership and calculated on the basis of the actual amount of capital contributed by Meitan.

The Company, the Work Safety Authority and Citic will engage an asset valuer to evaluate the assets of Meitan, in order to ascertain the capital amount required from the JV Company for the Proposed Cooperation, and thereupon the parties will agree on the actual amount of their respective capital contributions for the establishment of the JV Company.

Management of the JV Company

The board of directors of the JV Company (“**JV Company Board**”) will comprise seven members, of which two members will be nominated by the Company, three members will be nominated by the Work Safety Authority and the remaining two members will be nominated by Citic. The chairman of the JV Company Board will be nominated by the Work Safety Authority; whereas the vice-chairman of the JV Company Board will be nominated by Citic and the general manager of the JV Company will be nominated by the Company.

The JV Company will also have a supervising committee which will oversee the management of the JV Company.

INFORMATION ON THE WORK SAFETY AUTHORITY

The Work Safety Authority is an administrative institution directly under the PRC State Council and is mainly responsible for national manufacturing security and supervision work in relation to coal mining production safety.

INFORMATION ON CITIC

According to the information provided by Citic, Citic a subsidiary of the Citic group, is a wholly state-owned non-bank financial institution. It manages assets of more than RMB900 billion, making it one of the largest trust company in terms of the scale of asset management and a leading trust company with competitive business strength in the PRC. Citic has a registered capital of RMB10 billion and mainly provides lending and trust services.

INFORMATION ON MEITAN

Meitan is located in the Chaoyang district of Beijing, PRC. It is a Grade III general hospital which provides healthcare, teaching, research and preventative treatment services and is a key partner hospital with designated medical institutions of the PRC Beijing General Healthcare Insurance, Beijing International Healthcare Hospital, the Peking Union Medical Colleague Affiliated Teaching Hospital, Hebei United University Affiliated Hospital and designated partner hospital with the AEA International Holdings Pte Ltd. (International SOS). Meitan's major medical divisions include traumatology, respiratory medicine, cardiology, oncology, Chinese medicine and radiology. As at the date of this announcement, Meitan has a gross area of about 18,000 square meters, construction area of about 36,000 square meters, approximately 515 designated hospital beds, approximately 509 operating hospital beds, approximately 989 employees (including approximately 217 senior medical experts) and approximately 322 advanced large-sized medical equipment. In 2013, Meitan provided services to approximately 800,000 people and received approximately RMB800 million in revenue (unaudited).

INFORMATION ON SHILONG

Shilong is located in the Mentougou District of Beijing, PRC and is a Grade I general hospital providing research, healthcare, occupational disease prevention and medical education services. Shilong is an affiliate of the Work Safety Authority's Research Center for Occupational Health. Shilong also serves as a postgraduate training center and preventive medicine division teaching center of the North China Coal Medical University, and a practice base for the School of Public Health and Community Medical Sciences of the Capital Medical University. As at the date of this announcement, Shilong has approximately 380 designated hospital beds and approximately 450 open hospital beds.

REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT

The Proposed Cooperation, which aims to reform the healthcare system of the Work Safety Authority through professional financial resources and social capitalism, is another major milestone for the Group to comprehensively deepen the reformation of the healthcare services system in the PRC. It has also established a reformation model for large PRC state-owned medical institutions. Through implementing the innovative asset restructuring and PPP-ROT work model on Meitan, Shilong, and other potential medical institutions and nursing facilities within the Work Safety Authority network, the Proposed Cooperation enables the Group to effectively strengthen its leading status for the reformation of the public hospitals in the PRC, and thus laying a good foundation for the Group to expand its business in the national healthcare industry.

The Proposed Cooperation does not only enhance the scale of the Group's healthcare business and service capabilities, but also helps the Group in expanding its business in the industry for nursing and elderly support. In addition, the cooperation among the Company, Meitan and Citic brings together the core resources of the industry for nursing and elderly support (i.e. platforms, healthcare, finance and clientele) which can help to create a new Chinese "healthcare-nursing" industrial development model, adding important strategic value to the Group's industrial chain expansion.

The Proposed Cooperation further deepens the strategic business relationship between the Group and Citic, laying a solid foundation for a broader integration of resources between the two.

Upon the Proposed Cooperation, Meitan and Shilong will be managed by the Group, which enables the Group to further expand its hospital management network in Beijing, PRC and increase the total supply of hospital beds therein. It is expected that in 2015, approximately 1,000 hospital beds will be managed by the Group, and between 2015 and 2017, an additional 1,000 hospital beds will be under the management of the Group via reconstruction and new development. The expansion of the Group's management scale will further expand the Group's hospital network, enhance its business management structure, and improve its medical service capabilities, thereby providing more opportunities for resource sharing and exchange among member institutions, improving operational efficiency of each member institutions and creating favorable conditions for the Group to maintain a stable long-term operating income.

As the Group is one of the major investors of the JV Company, the Board believes that the establishment of the JV Company and the Proposed Cooperation will also enable the Group to generate a stable long-term investment income. As such, the Board views that the Proposed Cooperation and the Framework Agreement are in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

The entering into of the Framework Agreement does not constitute a notifiable transaction under Chapter 14 of the Listing Rules as the Framework Agreement is a non-binding agreement and the Proposed Cooperation may or may not proceed, subject to both internal and external approvals. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the shares of the Company.

Should the Proposed Cooperation materialises and the related definitive agreements are entered into, the Company will comply with the Listing Rules and make relevant disclosure as applicable and appropriate.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Board”	The board of directors of the Company
“Company”	Phoenix Healthcare Group Co. Ltd, a company with limited liability incorporated in the Cayman Islands on February 28, 2013
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PPP-ROT”	Public Private Partnership — Restructure, Operate and Transfer
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	The lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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

Hong Kong, January 6, 2015

As at the date of this announcement, the Board comprises Mr. LIANG Hongze, Ms. XU Jie, Mr. ZHANG Xiaodan, Mr. XU Zechang and Mr. JIANG Tianfan, as executive directors; Mr. YANG Huisheng and Mr. RUI Wei, as non-executive directors; and Mr. KWONG Kwok Kong, Ms. CHENG Hong, Mr. WANG Bing and Mr. SUN Jianhua, as independent non-executive directors.