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PHOENIX  
HEALTHCARE  
GROUP  
鳳凰醫療集團

**Phoenix Healthcare Group Co. Ltd**

**鳳凰醫療集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1515)**

## **INSIDE INFORMATION MASTER AGREEMENT**

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

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on September 15, 2015 (after trading hours), the Company and No.1 Central Hospital (“**No.1 Central Hospital**”) entered into a master agreement (the “**Master Agreement**”) in relation to the cooperation between the Company and No.1 Central Hospital (the “**Cooperation**”) based on the framework agreement dated January 5, 2015 (the “**Framework Agreement**”) entered into between the Company and the People’s Government of Baoding (the “**Baoding Government**”) relating to the cooperation for the purposes of establishing a new healthcare services system in Baoding. Please refer to the Company’s announcement dated January 5, 2015 for details of the Framework Agreement.

Pursuant to the Master Agreement, the Company will set up a company in Baoding namely “鳳凰醫院管理（保定）有限公司 (Phoenix Hospital Management (Baoding) Company Limited)” (tentative name) (the “**Management Company**”). Based on the development needs of No.1 Central Hospital, the Company will, through the Management Company, make an investment of RMB500 million by instalments to No.1 Central Hospital in relation to the Cooperation for the purposes of (i) strengthening No.1 Central Hospital’s position as the leading hospital in the region, (ii) building up No.1 Central Hospital as the core of a future medical network comprising medical institutions of different kinds, (iii) promoting an integrated cooperative medical healthcare system characterized by features such as primary initial diagnosis, two-way referral, separate treatment of acute and chronic diseases, treatment

of acute critical cases and collaboration between hospitals at different levels, and (iv) providing patients with more convenient medical services of higher quality supported by quality healthcare resources introduced through the Cooperation.

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

## **KEY TERMS OF THE MASTER AGREEMENT**

### **Cooperation arrangement**

The Company will make an investment of RMB500 million by instalments to No.1 Central Hospital through the Management Company under the cooperation mode to implement the Cooperation. The Company will establish a new hospital operating system, which safeguards public welfare, stimulates initiative and maintains sustainability, by injecting capital, introducing mechanisms and introducing intelligence (quality medical technological and management resources).

The period of the Cooperation under the Master Agreement is 20 years from September 15, 2015 to September 14, 2035. The period up to December 31, 2015 will be a transitional period. During the period of the Cooperation, No.1 Central Hospital will offer the Company a fixed return on investment principal per annum as investment return. In addition, the Company is entitled to a reasonable return in the form of management fees from No.1 Central Hospital based on the operation appraisal to be performed by the Baoding Government against No.1 Central Hospital. The management fees will comprise fixed management fees and floating management fees.

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

## **COOPERATION MANAGEMENT MECHANISM**

The parties will delegate representatives to set up an executive committee (the “**Executive Committee**”) and a supervisory committee (the “**Supervisory Committee**”) of No.1 Central Hospital, and establish a team of deans under the leadership of the Executive Committee to form the core of a modern hospital management structure and to optimize its management system and operating mechanism.

The Executive Committee will be the highest decision-making body under the Cooperation between No.1 Central Hospital and the Company, and its functions include formulating No.1 Central Hospital's development plan, approving its annual budget, giving advice, making recommendations on members of the management team and other material matters. The Executive Committee will consist of eight members, of which four will be appointed by the Company, one by the Baoding Government and three by No.1 Central Hospital. The Executive Committee will have one chairman, who will be a representative of No.1 Central Hospital as recommended by the Company, and one executive member, who will be a representative of the Company.

The Supervisory Committee will be the highest supervising body of No.1 Central Hospital and is responsible for the supervision of the fulfillment of public welfare functions, hospital assets, financial position and conduct of members of the Executive Committee and team of deans of No.1 Central Hospital. The Supervisory Committee will consist of five supervisors, of which two will be appointed by the Company, two by the Baoding Government, and one by No.1 Central Hospital. The chairman of the Supervisory Committee will be a representative from the Health and Family Planning Commission of the Baoding Government.

## **INFORMATION ABOUT BAODING**

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

According to the statistics prepared by the National Health and Family Planning Commission of the Bureau of Medical Administration of the PRC, as at the end of 2014, in addition to the hospitals affiliated with the People's Liberation Army, affiliated hospitals of Hebei University and Chinese medicine hospitals, Baoding had four Grade III general hospitals, 46 Grade II general hospitals and a number of Grade I general hospitals, and other community hospitals and medical institutions, supplying nearly 40,000 hospital beds in total.

## **INFORMATION ABOUT NO.1 CENTRAL HOSPITAL**

No.1 Central Hospital is located at the Lianzhi District in Baoding, predecessor of which was the missionary hospital established in Beiguanwai of Baoding by the Presbyterian Church in the United States of America in 1886, and has a history of about 129 years. As a 3A general hospital integrated with 120 pre-hospitalisation first aid, medical, teaching, research, rehabilitation and community healthcare services, it is currently the leading healthcare services system in Baoding, and is also one of the four prefecture regional medical centres recognised by the Health Department of Hebei province.

As at the date of this announcement, No.1 Central Hospital has a total area of approximately 130,000 square meters, and a gross floor area of approximately 130,000 square meters. There is a total of 2,800 beds in No.1 Central Hospital of which 1,882 are in operation and 918 under construction, hiring approximately 2,825 medical professionals. In 2014, No.1 Central Hospital provided services to approximately 700,000 people (headcount), generating a total revenue of approximately RMB950 million.

## **REASONS AND BENEFITS OF THE MASTER AGREEMENT**

The Master Agreement marks a significant innovative attempt to comprehensively deepen the reform of the PRC public healthcare services system, develop the integrated Beijing-Tianjin-Hebei healthcare system, with the Group's professional medical service management capabilities and flexible social capital, thereby introducing a market-oriented management mechanism to the public hospital system of Baoding and promoting No.1 Central Hospital to be the healthcare center in the Beijing-Tianjin-Hebei region through the Cooperation. The expansion of the Group's hospital management network in Baoding will enable the Group to strengthen its pioneer status in the reformation of the public healthcare system of the PRC and create modeling effect for the Group in its expansion in the national healthcare industry.

The Cooperation in building No.1 Central Hospital will significantly enhance the Group's healthcare industry management scale and medical service capabilities. Through cooperating with the Baoding Government and public medical institutions to establish a unified, market-oriented healthcare services system with the entire value chain, significant economies of scale is achieved, combined with further synergies arising from the Group's existing medical institutions network. Intergroup management will promote resources sharing and cooperation among the member organisations, comprehensively optimising the Group's medical services structure and enhancing quality of its medical service and management capacities, signifying a major step of the Group in expanding its business to regions outside Beijing, which will bring significant strategic value to the Group in expansion of its industry network.

The Board believes that the Cooperation with No.1 Central Hospital will allow the Group to generate a stable long-term investment income and remarkably expand its hospital network. Accordingly, the Board is of the view that the Cooperation contemplated under the Master Agreement is in the interests of the Company and its shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

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

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, No.1 Central Hospital and its respective subsidiaries are third parties that are independent of the Company and its connected persons (as defined under the Listing Rules).

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

Hong Kong, September 15, 2015

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