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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  
ACQUISITION OF THE TARGET COMPANIES  
UPDATE ON THE CR ACQUISITION  
AND  
RESUMPTION OF TRADING**

**THE ACQUISITION**

The Company, Pinyu (which is a wholly-owned subsidiary of the Company) and the Seller entered into the Term Sheet on April 29, 2016, pursuant to which the Company has conditionally agreed to acquire via Pinyu, and the Seller has conditionally agreed to sell the Subject Interests in consideration for the issue by the Company of the Consideration Shares to the Seller. The Consideration for the Acquisition should be no less than HK\$1,240,424,776, which may be adjusted in accordance with the valuation of the Subject Interests. The Consideration will be satisfied by the issue of at least 130,571,029 Consideration Shares at the Issue Price of HK\$9.50 per Consideration Share to the Seller upon the Completion and the number of the Consideration Share may be adjusted in accordance with the valuation of the Subject Interests as well. The Subject Institutions are Grade III hospitals and their total unaudited assets as of December 31, 2015 were approximately RMB845 million.

**IMPLICATIONS UNDER THE LISTING RULES**

It is contemplated that the Acquisition would constitute a major transaction for the purpose of the Listing Rules and accordingly the Acquisition would be subject to reporting, announcement and Shareholders' approval requirements in accordance with Chapter 14 of the Listing Rules.

## **WARNING**

**The Acquisition is subject to a number of conditions including Shareholders' approval of the Sale and Purchase Agreement and the transactions contemplated thereunder, which may or may not be fulfilled. The terms and conditions of the Sale and Purchase Agreement are still subject to the negotiations between the parties. Shareholders of the Company and potential investors should exercise caution when they deal or contemplate dealing in the Shares or other securities of the Company.**

## **RESUMPTION OF TRADING**

At the request of the Company, trading of the Shares was halted with effect from 1:00 p.m. on Friday, April 29, 2016 pending the publication of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on Wednesday, May 4, 2016.

This announcement is made pursuant to Rule 13.09 of the Listing Rules and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

## **STRATEGIC COOPERATION AND BACKGROUND**

The Company is the largest healthcare services group in the PRC and is expected to become the largest in Asia. It is also the pioneer of the comprehensively deepening reforms of the PRC healthcare system and the founder of the public-private partnership model of public hospitals of the PRC. Leveraging the scale of its hospital network and its copious industry resources, the Company will have long-term strategic cooperation with the Seller to enhance the structure of healthcare services industry, expand its hospital network and build a healthcare services group with international influence. The Company and the Seller will further cooperate closely in areas including hospital management, exchange of medical technology and sharing of medical resources. The cooperation will utilize each other's strengths and synergize their business structures, so as to achieve long-term development and social values, which will benefit the healthcare services industry as a whole.

The Board is pleased to announce that, as part of the strategic cooperation, the Company, Pinyu (which is a wholly-owned subsidiary of the Company) and the Seller entered into the Term Sheet on April 29, 2016, pursuant to which the Company has conditionally agreed to acquire via Pinyu, and the Seller has conditionally agreed to sell the Subject Interests in consideration for the issue by the Company of the Consideration Shares to the Seller.

## TERM SHEET

A summary of the major terms of the Term Sheet is set out below:

**Date:** April 29, 2016

**Parties:** the Seller (CITIC Medical & Health Group Co., Ltd);  
the Company; and  
Pinyu, a wholly-owned subsidiary of the Company.

### The Acquisition

Pursuant to the Term Sheet, the Company has conditionally agreed to acquire via Pinyu, and the Seller has conditionally agreed to sell, the Subject Interests.

### Consideration

The Consideration for the Acquisition should be no less than HK\$1,240,424,776, which may be adjusted in accordance with the valuation of the Subject Interests. The Consideration will be satisfied by the issue of at least 130,571,029 Consideration Shares, to be credited as fully paid and ranking *pari passu* in all respects with all the Shares in issue as at the date of allotment and issue of the Consideration Shares, at the Issue Price of HK\$9.50 per Consideration Share to the Seller upon the Completion, and the number of the Consideration Shares may be adjusted in accordance with the valuation of the Subject Interests as well. In the event that the Shares are traded ex-rights and ex-dividend, the Issue Price should be adjusted accordingly. The 130,571,029 Consideration Shares represent approximately 15.66% of the issued share capital of the Company as of the date of this announcement; approximately 13.54% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares; and approximately 9.15% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the CR Consideration Shares.

The Issue Price represents:

- a discount of approximately 19% to the closing price of the Shares of HK\$11.78 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a discount of approximately 15% to the average of the closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day of approximately HK\$11.16 per Share; and
- a discount of approximately 13% to the average of the closing price of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day of approximately HK\$10.96 per Share.

The Consideration and the Issue Price were arrived at after arm's length negotiations between the Company and the Seller, taking into account various factors, including:

- (a) the financial performance and market position of the Subject Institutions;
- (b) the significant growth potential of the business of the Subject Institutions;

- (c) the assets value of the Subject Institutions; and
- (d) the perceived strategic value of the expansion of the Group's hospital network resulting from the Acquisition.

### **Sale and Purchase Agreement and Exclusivity**

The Seller has granted an exclusive right to the Company to enter into a definitive conditional Sale and Purchase Agreement to further specify the terms and conditions of the Acquisition to be agreed between the parties within 180 days after the date of the Term Sheet or before such later date as the parties may agree.

### **Subsequent Assets Injection**

Subject to applicable laws and the Listing Rules, the Seller could further inject to the Company the remaining equity interests in the Target Companies, details of which will be further agreed in the definitive Sale and Purchase Agreement.

The Seller could also inject its other healthcare related assets to the Company in the future, which will be further discussed and negotiated between the Seller and the Company.

### **Conditions Precedent**

The Completion of the Acquisition is conditional upon satisfaction of certain conditions precedent, including but not limited to:

- (a) approval having been obtained from the Ministry of Finance and other regulatory authorities of the PRC for the Acquisition;
- (b) the passing by the Shareholders of the Company at the EGM of resolutions by poll approving the Sale and Purchase Agreement and the transactions contemplated thereunder; and
- (c) approval having been obtained from the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

### **The Company's Undertakings**

The Company undertakes (i) to continue to carry on its business in the normal and ordinary course; and (ii) save for the CR Acquisition and the acquisition of the remaining interests in the Target Companies, not to undertake or agree to undertake any acquisitions, asset disposals or joint venture that would constitute a notifiable transaction under Chapter 14 of the Listing Rules, or any transaction that would result in the issue or disposal of Shares or shares in any member of the Group, for the period from the date of the Term Sheet to the Long Stop Date, unless otherwise agreed by the Seller in writing. In addition, the Company undertakes to procure that there will not be any material change in its shareholding structure during the said period.

## **Nomination of Director**

Upon the Completion, the Seller shall have the right to nominate one Director, whilst the total number of the Board members will not exceed twelve.

## **Binding Effect and Termination**

The provisions of the Term Sheet referred to above in relation to the Consideration, the injection of the remaining interests of the Target Companies, exclusivity, the Company's undertakings, nomination of Directors and confidentiality are legally binding.

If the Seller and the Company fail to enter into the Sale and Purchase Agreement on or before the Long Stop Date or such later date as the parties may agree, the Term Sheet shall terminate.

## **IMPLICATIONS UNDER THE LISTING RULES**

It is contemplated that the Acquisition would constitute a major transaction for the purpose of the Listing Rules and accordingly the Acquisition would be subject to reporting, announcement and Shareholders' approval requirements in accordance with Chapter 14 of the Listing Rules.

## **INFORMATION ON THE PARTIES**

### **Information on the Group and the Company**

The Company was incorporated in the Cayman Islands and the Shares are listed on the Main Board of the Stock Exchange.

The Group is one of the largest private hospital groups in the PRC and there are 60 medical institutions with approximately 5,780 beds in operation in Beijing, Tianjin and Hebei owned or operated by the Group, including three Grade III hospitals, six Grade II hospitals, nine Grade I hospitals. The network hospitals and clinics of the Group offer healthcare services from community healthcare to primary preventive care and acute care.

### **Information on the Seller and the Target Companies**

The Seller is principally engaged in the businesses of medical and healthcare services and other related businesses and is a wholly-owned subsidiary of CITIC Group Corporation, a diversified conglomerate in mainland China and Hong Kong, which is a key and large scale state-owned enterprises under the administration of the State Council of the PRC.

The Target Companies are two subsidiaries of the Seller, which are the sponsors and operators of the Subject Institutions. The Subject Institutions are Grade III hospitals with approximately 700 beds in operation and the Subject Institutions' total unaudited assets as of December 31, 2015 were approximately RMB845 million.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Seller and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **REASONS FOR THE ACQUISITION**

The Group regards the Acquisition as a long-term strategic cooperation with the Seller. Upon the Acquisition, the Seller, one of the largest state-owned enterprises in the medical and healthcare industry, will become a shareholder and strategic partner of the Group. The Company is of the view that such cooperation would greatly streamline the resources of the Group and CITIC Group, which will further enhance the expansion and development of the Group's hospital network. Through consolidating the Group and CITIC Medical & Health's ownership in the Subject Institutions and through synergizing CITIC Medical & Health's abundant resources and diversified operational structure in the medical industry with the Group's extensive experience and expertise in public hospital reform and management, the Group will become the leading industry player with international influence within the medical and healthcare industry in the PRC.

The Acquisition is a strategic arrangement by the Group in the medical and health space. This arrangement will unleash the potential from an alliance of major PRC players in terms of their advantage in resources and in the international capital markets. It will effectively aggregate each party's information and resources relating to technology, talent and operations to help create Asia's largest medical services platform that will have international impact. The Acquisition also has significant symbolic importance for the parties' development. The Acquisition will help optimize operations and act as a conduit for international development. The alliance of the major PRC players can assist in realizing resource sharing and providing complementary functions for the parties, and establish a mutually beneficial development model, which allows the parties to maintain their commanding heights in operational development. The Acquisition will also ensure liquidity in the parties' assets in the market and maximize their impact.

Upon the completion of the Acquisition, the Group will integrate all resources from the Group and the Seller and establish a national medical network platform to promote the sharing of resources among members within the network, and enhance the Group's operational efficiency through economies of scale. This will further optimize the operational structure of the Group's medical service business and enhance the quality of the Group's medical services, as well as its operation and management capabilities, while providing more robust support for the long-term development of the Group.

The Directors are of the view that the Acquisition is on normal commercial terms and the terms and conditions of the Term Sheet are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **UPDATE ON THE CR ACQUISITION**

Reference is made to the announcement dated April 8, 2016 issued by the Company in relation to the CR Acquisition. The Company is currently in the course of negotiation with CR Healthcare to finalize the terms and conditions of the sale and purchase agreement for the CR Acquisition.



“Company”	Phoenix Healthcare Group Co. Ltd., a company incorporated in the Cayman Islands with limited liability whose registered office is at Harneys Services (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, PO Box 10240, Grand Cayman, KY1-1002, the Cayman Islands and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 01515);
“Completion”	completion of the Acquisition pursuant to the terms of the Term Sheet and the Sale and Purchase Agreement;
“connected person”	has the meaning given to it under the Listing Rules;
“Consideration Shares”	130,571,029 Shares to be issued to the Seller at the Issue Price to satisfy the Consideration;
“Consideration”	the total consideration of HK\$1,240,424,776 for the Acquisition which will be satisfied by the issue of the Consideration Shares by the Company to the Seller;
“CR Acquisition”	the potential acquisition of certain hospital businesses of CR Healthcare pursuant to the CR Term Sheet as disclosed in the announcement dated April 8, 2016 issued by the Company;
“CR Consideration Shares”	the 462,913,516 Shares to be issued as consideration for the CR Acquisition;
“CR Healthcare”	China Resources Healthcare Group Limited, a company incorporated under the laws of Hong Kong whose registered office is at 44th Floor, China Resources Building, No. 26 Harbour Road, Hong Kong;
“CR Supplemental Term Sheet”	the supplemental term sheet entered into among the Company, Pinyu and CR Healthcare dated April 29, 2016 supplemental to the CR Term Sheet;
“CR Term Sheet”	the term sheet entered into among the Company, Pinyu and CR Healthcare dated April 8, 2016 in relation to the CR Acquisition;
“Directors”	the directors of the Company;
“EGM”	the extraordinary general meeting of the Company to be held to approve the Sale and Purchase Agreement and the transaction contemplated thereunder;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;



“Issue Price”	the per share price of HK\$9.50 for the issue of each Consideration Share;
“Last Trading Day”	April 29, 2016, being the last trading day for the Shares before the date of this announcement;
“Listing Committee”	has the meaning given to it under the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Long Stop Date”	the 180th day after the date of the Term Sheet, or the date of the Pinyu and the Seller agreeing to abort the Acquisition, or the date of issue of any regulation or decision by the relevant regulatory authorities to veto the Acquisition, whichever is the earliest;
“Pinyu”	Pinyu Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company;
“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;
“RMB”	Renminbi, being the lawful currency of the PRC;
“Sale and Purchase Agreement”	the sale and purchase agreement in relation to the Acquisition to be entered into by the Company, Pinyu and the Seller;
“Seller”	CITIC Medical & Heath Group Co., Ltd, a company incorporated in the PRC with limited liability whose registered office is at Room 202, 2/F, Blue Sky Building, No. 28, Tianzhu Road, District A, Tianzhu Konggang Economic Development Zone, Shunyi District, Beijing, the PRC;
“Shareholders”	holders of the Shares;
“Shares”	ordinary shares of HK\$0.00025 each in the share capital of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subject Interests”	the controlling stakes in the Target Companies;
“Subject Institutions”	Grade III hospitals owned and operated by the Target Companies;
“subsidiary”	has the meaning given to it under the Listing Rules;

“Target Companies” two subsidiaries of the Seller, which are incorporated in the PRC with limited liability and are the sponsors and operators of the Subject Institutions; and

“Term Sheet” the term sheet entered into among the Company, Pinyu and the Seller in relation to the Acquisition.

By Order of the Board  
**Phoenix Healthcare Group Co. Ltd**  
**Xu Jie**  
*Chairman*

Hong Kong, May 3, 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.*