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PHOENIX
HEALTHCARE
GROUP
凤凰医疗集团

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)

**RENEWAL OF ANNUAL CAPS:
EXISTING NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS
UNDER YAN HUA IOT AGREEMENT**

**NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS:
RENEWAL OF PMM SALES FRAMEWORK AGREEMENT AND
ANNUAL CAPS**

Given that (i) the annual caps in relation to the Yan Hua IOT Agreement expired on December 31, 2015 and (ii) the the Original PMM Sales Framework Agreement will expire on November 6, 2016 and the annual caps in relation thereto expired on December 31, 2015, the Company intends to continue the arrangements contemplated thereunder by (a) renewing the annual caps for the three financial years ending December 31, 2018 in relation to the Yan Hua IOT Agreement and (b) extending the term of the Original PMM Sales Framework Agreement and renewing the annual caps for the three financial years ending December 31, 2018 in relation thereto.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Yan Hua Hospital is wholly owned by Yan Hua Phoenix, which is a direct wholly-owned subsidiary of Beijing Juxin Wantong. Beijing Juxin Wantong is a direct wholly-owned by Beijing Wantong, which is in turn direct wholly-owned by Ms. Xu Jie, the Chairman of the Company and an executive Director, and Ms. Xu Xiaojie, daughter of Ms. Xu Jie. Thus, Yan Hua Phoenix and Yan Hua Hospital Group are connected persons of the Company as defined under the Listing Rules. Further, as at the date of this announcement, Ms. Xu Jie is interested in 13,868,000 shares of the Company while, Speed Key Limited, Ms. Xu Jie and Ms. Xu Xiaojie hold 21.76%, 1.66% and 1.63% of the total issued share capital of the Company respectively while Speed Key Limited is wholly owned by Mr. Xu Baorui, father of Ms. Xu Jie.

As all of the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) relating to the proposed annual caps under the Yan Hua IOT Agreement are less than 5% but according to the terms of the Yan Hua IOT Agreement and as disclosed in the Prospectus, the transactions contemplated under the Yan Hua IOT Agreement and the proposed annual caps are subject to the requirements of reporting, announcement and approval by the Independent Shareholders. The Company will also disclose the relevant details in the next published annual report of the Company in accordance with the relevant requirements as set out in Rule 14A.71 of the Listing Rules.

As some of the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) relating to the proposed annual caps under the PMM Sales Framework Agreement are more than 25% and each of the proposed annual caps are not less than HK\$10,000,000, the transactions contemplated under the PMM Sales Framework Agreement and the proposed annual caps are subject to the requirements of reporting, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules. The Company will also disclose the relevant details in the next published annual report of the Company in accordance with the relevant requirements as set out in Rule 14A.71 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 (i) the Yan Hua IOT Agreement; (ii) the PMM Sales Framework Agreement; and (iii) the proposed annual caps in relation to the Yan Hua IOT Agreement and the PMM Sales Framework Agreement.

As at the date of this announcement, Ms. Xu Jie is interested in 13,868,000 shares of the Company while, Speed Key Limited, Ms. Xu Jie and Ms. Xu Xiaojie hold 21.76%, 1.66% and 1.63% of the total issued share capital of the Company respectively while Speed Key Limited is wholly owned by Mr. Xu Baorui, father of Ms. Xu. Thus, Ms. Xu Jie and her respective associates (including Speed Key Limited, Mr. Xu Baorui, and Ms. Xu Xiaojie) shall abstain from voting on the ordinary resolution(s) approving the Yan Hua IOT Agreement, the PMM Sales Framework Agreement, the proposed annual caps in relation to the Yan Hua IOT Agreement and the PMM Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors has been established to consider the Yan Hua IOT Agreement, the PMM Sales Framework Agreement, the proposed annual caps in relation to the Yan Hua IOT Agreement and the PMM Sales Framework Agreement and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution(s) regarding the Yan Hua IOT Agreement, the PMM Sales Framework Agreement and the proposed annual caps in relation to the Yan Hua IOT Agreement and the PMM Sales Framework Agreement.

Mr. Kwong Kwok Kong, Ms. Cheng Hong, Mr. Sun Jianhua and Mr. Lee Kar Chung Felix, all being independent non-executive Directors, have been appointed by the Board to serve as members of the Independent Board Committee. None of the members of the Independent Board Committee has any material interest in either of the Yan Hua IOT Agreement and the PMM Sales Framework Agreement.

VMS Securities Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) a letter from the Board setting out details of the Yan Hua IOT Agreement, the PMM Sales Framework Agreement and the proposed annual caps in relation to the Yan Hua IOT Agreement and the PMM Sales Framework Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice 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 in due course.

INTRODUCTION

Reference is made to the Prospectus in relation to, among other things, the continuing connected transactions contemplated under each of the Yan Hua IOT Agreement and the Original PMM Sales Framework Agreement.

Given that (i) the annual caps in relation to the Yan Hua IOT Agreement expired on December 31, 2015 and (ii) the the Original PMM Sales Framework Agreement will expire on November 5, 2016 and the annual caps in relation thereto expired on December 31, 2015, the Company intends to continue the arrangements contemplated thereunder by (a) renewing the annual caps for the three financial years ending December 31, 2018 in relation to the Yan Hua IOT Agreement and (b) extending the term of the Original PMM Sales Framework Agreement and renewing the annual caps for the three financial years ending December 31, 2018 in relation thereto.

(A) YAN HUA IOT AGREEMENT

As disclosed in the Prospectus, pursuant to the Yan Hua IOT Agreement, Beijing Phoenix has agreed to (i) pay Yan Hua Phoenix an amount of RMB72 million (the “**Consideration**”) and (ii) invest the Investment of a total of RMB150 million 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 term of the Yan Hua IOT Agreement is subject to approval by the Independent Shareholders every three years.

As the original annual caps under the Yan Hua IOT Agreement expired on December 31, 2015, the Group intends to continue the arrangements contemplated thereunder and proposes to renew the annual caps for the three financial years ending December 31, 2018.

The terms of the Yan Hua IOT Agreement remains unchanged and the principal terms of the Yan Hua IOT Agreement are as follows:

(1) Date:

February, 2008

(2) Parties:

- (i) Beijing Phoenix;
- (ii) Yan Hua Hospital Group; and
- (iii) Yan Hua Phoenix.

(3) Term

The term of the Yan Hua IOT Agreement is from February 1, 2008 to July 17, 2055, which is subject to approval by the Independent Shareholders every three years.

(4) Subject matter

Pursuant to the Yan Hua IOT Agreement, Beijing Phoenix has agreed to:

- (i) pay Yan Hua Phoenix the Consideration of an amount of RMB72 million, which was paid by Beijing Phoenix in 2008; and
- (ii) invest the Investment of a total of RMB150 million 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. As at the date of this announcement, Beijing Phoenix had made an aggregate of RMB150 million of the Investment.

(5) Original annual caps and historical transaction amounts

The table below sets out (i) the original annual caps, and (ii) the historical transaction amounts in respect of the Management Fees and the Investment Repayment under the Yan Hua IOT Agreement for the three financial years ended December 31, 2015:

	For the financial year ended December 31, 2013 (RMB)	For the financial year ended (revised) December 31, 2014 (RMB)	For the financial year ended December 31, 2015 (RMB)
Management Fees	16 million	36 million	33.8 million
Investment Repayment	1.8 million	2.0 million	3.6 million
Original annual caps on the Management Fees and the Investment Repayment	17.8 million	38 million	37.4 million
Historical transaction amounts on the Management Fees and the Investment Repayment	23 million	32.1 million	35.4 million

(6) Proposed annual caps

The Company estimates that the proposed annual caps for the Management Fees and the Investment Repayment under the Yan Hua IOT Agreement for the three financial years ending December 31, 2018 are RMB43.5 million (of which RMB3.6 million is the Investment Repayment), RMB50.9 million (of which RMB3.6 million is the Investment Repayment) and RMB59.3 million (of which RMB3.6 million is the Investment Repayment).

Basis of determination

In arriving at the above proposed annual caps, the following factors were taken into account: (i) the historical transaction amounts under the Yan Hua IOT Agreement, (ii) the financial performance of Yan Hua Hospital Group for the three financial years ended December 31, 2015; (iii) the Management Fee Formula (as defined below); (iv) the projected annual revenue of Yan Hua Hospital Group for the three financial years ending December 31, 2018; and (v) the expected Investment Repayment amounts for the three financial years ending December 31, 2018.

Management Fee Structure

Details of the Management Fee Formula (as defined below) remain unchanged as follows:

As disclosed in the Prospectus, the calculation of annual Management Fees is based on the following formula (the “**Management Fee Formula**”): a fixed percentage of the first RMB150 million of the annual revenue of Yan Hua Hospital Group, plus a higher fixed percentage of the annual revenue in excess of RMB150 million less the amount of the relevant Investment Repayment. In any given period, the Management Fees that the Company is entitled to should not exceed the Yan Hua Hospital Group’s net income before taxation and the Investment Repayment. The Management Fee Formula is set based on arm’s length negotiation among the parties.

The historical transaction amount of the Management Fees for the three financial years ended December 31, 2015 were approximately RMB21.2 million, RMB30.1 million and RMB31.8 million respectively.

Consideration, Investment amounts and Investment Repayment

As at the date of this announcement, the Consideration had been paid in full. The carrying amount of such initial investment (the “**Carrying Amount**”) under the Yan Hua IOT Agreement is determined as if the Consideration is amortized equally over the IOT term of 48 years. Yan Hua Phoenix has undertaken to reimburse Beijing Phoenix the Carrying Amount upon termination or discontinuation of the Yan Hua IOT Agreement. Ms. Xu Jie and Ms. Xu Xiaojie have jointly and severally guaranteed the performance of the above undertaking. As at the date of this announcement, the carrying amount of the intangible assets related to the initial investment for acquisition of the management right of Yan Hua Hospital paid to Yan Hua Phoenix was approximately RMB169 million.

Beijing Phoenix had made the Investment, which is repayable, in Yan Hua Hospital Group of an aggregate amount of RMB150 million as at the date of this announcement.

Pursuant to the Yan Hua IOT Agreement, Yan Hua Hospital Group shall repay the Investment Repayment. An Investment made in the current year by Beijing Phoenix will be repaid by Yan Hua Hospital Group starting from the year after in equal installments annually until the end of the term of the Yan Hua IOT Agreement. For the three financial years ended December 31, 2015 and as at the date of this announcement, the aggregate amount of Investment Repayment made by Yan Hua Hospital Group was approximately RMB7.4 million. The discontinuation or termination of the Yan Hua IOT Agreement would not affect the Investment Repayment schedule.

Loss top-up obligations

Details of the loss top-up obligations remain unchanged as follows:

As disclosed in the Prospectus, pursuant to the Yan Hua IOT Agreement, Beijing Phoenix had agreed to compensate Yan Hua Hospital Group of any losses incurred by Yan Hua Hospital Group in any calendar year such that Yan Hua Hospital Group would break even in that calendar year by setting off the compensation against the Management Fees in that calendar year. If the Management Fees in that year is insufficient, the compensation will be set off against the Management Fees in subsequent years until the loss is fully compensated.

As at the date of this announcement, Beijing Phoenix has not paid any such compensation to Yan Hua Hospital. In any event, Yan Hua Hospital Group and Yan Hua Phoenix have signed an undertaking dated the date of the Prospectus that they will not enforce any loss top-up payment from Beijing Phoenix for as long as the Yan Hua IOT Agreement remains in force.

(7) Termination of the Yan Hua IOT Agreement

Details of the termination of the Yan Hua IOT Agreement remain unchanged as follows:

Under the occurrence of any of the following, Yan Hua Hospital Group and Yan Hua Phoenix may terminate the Yan Hua IOT Agreement unilaterally and claim compensation from the Group if the Group:

- violate any relevant laws, rules or regulations during the provision of management services, causing serious harm or impact over the operation or business of Yan Hua Hospital Group as a result of any penalty or investigation by the governmental department in charge of industry and commerce, health and hygiene, healthcare services and pharmacy or environmental protection;
- manage Yan Hua Hospital Group in conspiracy with any third party, causing serious harm to the Yan Hua Hospital Group; or
- cause serious harm to Yan Hua Hospital Group by any other acts.

The Group may unilaterally terminate the Yan Hua IOT Agreement and seek damages from Yan Hua Hospital Group and Yan Hua Phoenix if any of the following occurs:

- the business conducted by Yan Hua Hospital Group lacks requisite licenses or permits and cannot be carried out despite remedial measures;
- Yan Hua Hospital Group and Yan Hua Phoenix withhold information concerning Yan Hua Hospital Group's assets, debt, business activities or other information that would affect the operation of Yan Hua Hospital Group or information concerning the occurrence of any event that may seriously undermine the management of Yan Hua Hospital Group by the Group;
- Yan Hua Hospital Group and Yan Hua Phoenix exercise management authority in a manner contrary to the Group's instructions, or intentionally undermine our management activities to a significant extent; or
- Yan Hua Hospital Group does not pay the Group the Management Fees on time.

The Yan Hua IOT Agreement may also be terminated with the parties' consent. The Group does not anticipate termination of the Yan Hua IOT Agreement in the near future.

(B) PMM SALES FRAMEWORK AGREEMENT

The Board further announces on July 8, 2016 (after trading hour), Beijing Wanrong, Beijing Jiayi, Beijing Phoenix and Yan Hua Hospital Group entered into the PMM Supplemental Agreement to extend the term of the Original PMM Sales Framework Agreement until December 31, 2018. Pursuant to the PMM Supplemental Agreement, save for the extension of its term, other terms of the Original PMM Sales Framework Agreement remain unchanged.

As the original annual caps under the Original PMM Sales Framework Agreement expired on November 5, 2016, the Group intends to continue the arrangement contemplated thereunder by extending the term of the Original PMM Sales Framework Agreement and renewing the annual caps for the three financial years ending December 31, 2018 in relation thereto.

Original annual caps and historical transaction amounts

The table below sets out (i) the original annual caps, and (ii) the historical transaction amounts under the Original PMM Sales Framework Agreement for the three financial years ended December 31, 2015:

	For the financial year ended December 31, 2013 (RMB)	For the financial year ended December 31, 2014 (RMB)	For the financial year ended December 31, 2015 (RMB)
Original annual caps	200 million	260 million	330 million
Historical transaction amounts	145.2 million	230.2 million	248.6 million

Proposed annual caps

The Company estimates that the proposed annual caps under the PMM Sales Framework Agreement for the three financial years ending December 31, 2018 are RMB400.8 million, RMB570.7 million and RMB713.5 million.

Basis of determination

In arriving at the above proposed annual caps, the following factors were taken into account: (i) the expected increase in the total purchases by Yan Hua Hospital Group, taking into account the historical transaction amounts, (ii) the historical percentage of purchases sourced from Beijing Wanrong and Beijing Jiayi. The estimated increase in supply to Yan Hua Hospital Group from Beijing Wanrong and Beijing Jiayi is primarily based on the Group's plan to further consolidate the procurement needs of Yan Hua Hospital Group through the Group's supply chain business.

INFORMATION ABOUT THE GROUP

The Company is a limited liability company incorporated in the Cayman Islands and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of general hospital services, hospital management services and the supply chain business in Beijing.

INFORMATION ABOUT 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.

Yan Hua Hospital is wholly owned by Yan Hua Phoenix, which is a direct wholly-owned subsidiary of Beijing Juxin Wantong. Beijing Juxin Wantong is a direct wholly-owned by Beijing Wantong, which is in turn direct wholly-owned by Ms. Xu Jie, the Chairman of the Company and an executive Director, and Ms. Xu Xiaojie, daughter of Ms. Xu Jie.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS CONTEMPLATED UNDER BOTH THE YAN HUA IOT AGREEMENT AND THE PMM SALES FRAMEWORK AGREEMENT

As an integral part and a major hospital in the Group's healthcare services network, Yan Hua Hospital Group plays an important and crucial role in creating synergies, improving efficiency, enhancing standardization and quality, and improving profitability of the Group's healthcare services. The Yan Hua IOT Agreement and the PMM Sales Framework Agreement serve as a key bonding between Yan Hua Hospital Group and the Group to ensure long-term cooperation.

The Yan Hua IOT Agreement entitles the Group to significant control and influence over Yan Hua Hospital Group's management and development strategy, which allows sharing of medical equipments, facilities, technologies, human resources, and other resources between Yan Hua Hospital Group and the Group's other medical institutions. The Management Fees received from Yan Hua Hospital Group under the Yan Hua IOT Agreement contributes as a significant source of revenue to the Group and also allow the Group to generate hospital supply chain revenue through access to the control, consolidate and manage of the procurement of Yan Hua Hospital Group.

The PMM Sales Framework Agreement enables the Group to coordinate and manage the procurement and logistics of pharmaceutical, medical devices and medical consumables and equipments to Yan Hua Hospital Group, which allows the Group to generate supply chain business revenue and benefit in the following aspects:

1. Procurement from Yan Hua Hospital Group under the PMM Sales Framework Agreement is a significant source of revenue for the Group;

2. Syndicating procurement orders from Yan Hua Hospital Group and our other in-network hospitals greatly improve the Group's bargaining power in procurement with the suppliers, which reduces overall prices and total cost of goods sold of the procurement, thereby generating higher profit margin for the Group's supply chain business;
3. Centralization of procurement management at the Group level reduces the management costs and workload of the procurement staff and professionals for the Group and all our in-network hospitals as a whole; and
4. A stable and long term procurement arrangement between Yan Hua Hospital Group and the Group helps to establish long term relationship and commitment between the Group and its suppliers, which ensures stable quality and competitive prices of the procurement, and also secures optimal follow-up maintenance, training, services and support from the suppliers.

In order to ensure continuous sustainable economic benefits of the Group from managing and operating Yan Hua Hospital Group, the Company therefore proposes to revise and increase the respective annual caps under the Yan Hua IOT Agreement and the PMM Sales Framework Agreement, which would both ensure long term growth of the Group that are in the best interests of the Company and its shareholders as a whole.

Having considered the above reasons and taking into account the basis of determination of all the proposed annual 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 each of the Yan Hua IOT Agreement and the PMM Sales Framework Agreement, and all the proposed annual caps are fair and reasonable, have been entered into after arm's length negotiation and determined on normal commercial terms and in the ordinary and usual course of business of the Company that are in the interests of the Company and the Shareholders as a whole.

Ms. Xu Jie, the Chairman of the Company and an executive Director, who indirectly owns the entire equity interest in Yan Hua Hospital Group, abstained from voting on the relevant resolutions in the Board meeting to approve each of the Yan Hua IOT Agreement and the PMM Sales Framework Agreement and the proposed annual caps in relation to them. All the remaining Directors have confirmed in such Board meeting that they have no material interest in the transactions contemplated under each of the Yan Hua IOT Agreement and the PMM Sales Framework Agreement.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Yan Hua Hospital was wholly owned by Yan Hua Phoenix, which is a direct wholly-owned subsidiary of Beijing Juxin Wantong. Beijing Juxin Wantong is direct wholly-owned by Beijing Wantong, which is in turn direct wholly-owned by Ms. Xu Jie, the Chairman of the Company and an executive Director, and Ms. Xu Xiaojie, daughter of Ms. Xu Jie. Thus, Yan Hua Phoenix and Yan Hua Hospital Group are connected persons of the Company as defined under the Listing Rules. Further, as at the date of this announcement, Ms. Xu Jie was interested in 13,868,000 shares of the Company while Speed Key Limited, Ms. Xu Jie and Ms. Xu Xiaojie held 21.76%, 1.66% and 1.63% of the total issued share capital of the Company respectively. Speed Key Limited is wholly owned by Mr. Xu Baorui, father of Ms. Xu Jie.

As all of the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) relating to the proposed annual caps under the Yan Hua IOT Agreement are less than 5% but according to the terms of the Yan Hua IOT Agreement and as disclosed in the Prospectus, the transactions contemplated under the Yan Hua IOT Agreement and the proposed annual caps are subject to the requirements of reporting, announcement and approval by the Independent Shareholders. The Company will also disclose the relevant details in the next published annual report of the Company in accordance with the relevant requirements as set out in Rule 14A.71 of the Listing Rules.

As some of the applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) relating to the proposed annual caps under the PMM Sales Framework Agreement are more than 25% and each of the proposed annual caps is not less than HK\$10,000,000, the transactions contemplated under the PMM Sales Framework Agreement and the proposed annual caps are subject to the requirements of reporting, announcement and approval by the Independent Shareholders under Chapter 14A of the Listing Rules. The Company will also disclose the relevant details in the next published annual report of the Company in accordance with the relevant requirements as set out in Rule 14A.71 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 (i) the Yan Hua IOT Agreement; (ii) the PMM Sales Framework Agreement; and (iii) the proposed annual caps in relation to the Yan Hua IOT Agreement and the PMM Sales Framework Agreement.

As at the date of this announcement, Ms. Xu Jie is interested in 13,868,000 shares of the Company while, Speed Key Limited, Ms. Xu Jie and Ms. Xu Xiaojie hold 21.76%, 1.66% and 1.63% of the total issued share capital of the Company respectively while Speed Key Limited is wholly owned by Mr. Xu Baorui, father of Ms. Xu. Thus, Ms. Xu Jie and her respective associates (including Speed Key Limited, Mr. Xu Baorui, and Ms. Xu Xiaojie) shall abstain from voting on the ordinary resolution(s) approving the Yan Hua IOT Agreement, the PMM Sales Framework Agreement, the proposed annual caps in relation to the Yan Hua IOT Agreement and the PMM Sales Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps) at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors has been established to consider the Yan Hua IOT Agreement, the PMM Sales Framework Agreement, the proposed annual caps in relation to the Yan Hua IOT Agreement and the PMM Sales Framework Agreement and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution(s) regarding the Yan Hua IOT Agreement, the PMM Sales Framework Agreement and the proposed annual caps in relation to the Yan Hua IOT Agreement and the PMM Sales Framework Agreement.

Mr. Kwong Kwok Kong, Ms. Cheng Hong, Mr. Sun Jianhua and Mr. Lee Kar Chung Felix, all being independent non-executive Directors, have been appointed by the Board to serve as members of the Independent Board Committee. None of the members of the Independent Board Committee has any material interest in either of the Yan Hua IOT Agreement and the PMM Sales Framework Agreement.

VMS Securities Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) a letter from the Board setting out details of the Yan Hua IOT Agreement, the PMM Sales Framework Agreement and the proposed annual caps in relation to the Yan Hua IOT Agreement and the PMM Sales Framework Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice 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 in due course.

DEFINITION

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
“Beijing Jiayi”	Beijing Phoenix Jiayi Medical Devices Co., Ltd. (北京鳳凰佳益醫療器械有限公司), formerly known as Beijing Phoenix Luoke Medical Technology Co., Ltd. (北京鳳凰洛克醫學技術有限公司) and Phoenix Wanfeng Medical Technology (Beijing) Co., Ltd. (鳳凰萬峰醫學技術(北京)有限公司), a limited liability company established under the laws of the PRC, and a indirect wholly-owned subsidiary of the Company
“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, and a direct wholly-owned subsidiary of Beijing Wantong
“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, and a indirect wholly-owned subsidiary of the Company
“Beijing Wanrong”	Beijing Wanrong Yikang Medical Pharmaceutical Co., Ltd. (北京萬榮億康醫藥有限公司), a limited liability company established under the laws of the PRC, and a indirect 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, and wholly-owned by Ms. Xu Jie and Ms. Xu Xiaojie
“Board”	the board of Directors
“Company”	Phoenix Healthcare Group Co. Ltd (鳳凰醫療集團有限公司), 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
“Director(s)”	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 (i) the Yan Hua IOT Agreement; (ii) the PMM Sales Framework Agreement; and (iii) the proposed annual caps in relation to the Yan Hua IOT Agreement and the PMM Sales Framework Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an 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 each of the Yan Hua IOT Agreement and the PMM Sales Framework Agreement, and the proposed annual caps in relation thereto and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution(s) regarding the Yan Hua IOT Agreement, the PMM Sales Framework Agreement and the proposed annual caps in relation to the Yan Hua IOT Agreement and the PMM Sales Framework Agreement
“Independent Financial Adviser” or “VMS”	VMS Securities Limited, a corporation licensed under the SFO to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Yan Hua IOT Agreement, the PMM Sales Framework Agreement and the proposed annual caps in relation to the Yan Hua IOT Agreement and the PMM Sales Framework Agreement

“Independent Shareholders”	any shareholder of the Company that will not be required under the Listing Rules to abstain from voting at the EGM
“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
“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
“Ms. Xu Jie”	the Chairman of the Company and an executive Director
“Ms. Xu Xiaojie”	the daughter of Ms. Xu Jie
“Original PMM Sales Framework Agreement”	the pharmaceutical, medical device and medical consumables sales framework agreement dated November 6, 2013 entered into between Beijing Wanrong, Beijing Jiayi, Beijing Phoenix and Yan Hua Hospital Group
“PMM Sales Framework Agreement”	the Original PMM Sales Framework Agreement as supplemented by the PMM Supplemental Agreement
“PMM Supplemental Agreement”	the supplemental agreement dated July 8, 2016 entered into between Beijing Wanrong, Beijing Jiayi, Beijing Phoenix and Yan Hua Hospital Group, in relation to the extension of the term of the Original PMM Sales Framework Agreement
“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 of Republic of China and Taiwan
“Prospectus”	the prospectus of the Company dated November 18, 2013 issued by the Company in relation to the listing of its Shares on the Main Board of the Stock Exchange
“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)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in the Listing Rules
“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
“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 dated February 1, 2008, and the hospital investment management agreement dated February 4, 2008, both of which were supplemented in April 2008, December 2010, June 2011, June 2013, July 2013, September 2013 and October 2013, and were entered into between 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 established under the laws of the PRC, and a direct wholly-owned subsidiary of Beijing Juxin Wantong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By Order of the Board
Phoenix Healthcare Group Co. Ltd
Liang Hongze
Executive Director

Hong Kong, July 8, 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.