华润医疗
CR Healthcare

China Resources Healthcare Group Limited
華潤醫療集團有限公司
(Incorporated in Hong Kong with limited liability)

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 Cayman Islands with limited liability)
(Stock code: 1515)

(1) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF AMPLE MIGHTY LIMITED INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE (2) APPLICATION FOR WHITEWASH WAIVER (3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL (4) PROPOSED CHANGE OF COMPANY NAME AND (5) CONTINUING CONNECTED TRANSACTIONS AND SPECIAL DEALS

Financial advisers to the Company in respect of the Acquisition

Bank of America Merrill Lynch

交銀國際
BOCOM International

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

SOMERLEY CAPITAL LIMITED

THE ACQUISITION

Reference is made to the announcements issued by the Company on 8 April 2016 and 3 May 2016 with regard to the signing of the binding Term Sheet and the Supplemental Term Sheet, pursuant to which the Purchaser (a wholly-owned subsidiary of the Company) has conditionally agreed to acquire, and the Seller has conditionally agreed to sell, the entire equity interest in the Target Company, through which the Purchaser will acquire the assets and equity interests of and/or the right to operate the Subject Institutions.

The Board is pleased to announce that outside trading hours on 30 August 2016, the Company, the Purchaser and the Seller entered into the Sale and Purchase Agreement pursuant to which the Purchaser has conditionally agreed to acquire, and the Seller has conditionally agreed to sell, the entire issued share capital of the Target Company. The Consideration for the Acquisition is HK$3,721,824,669, which will be satisfied by the Company by way of the allotment and issue of 462,913,516 Consideration Shares (subject to adjustment) at the Issue Price of HK$8.04 per Consideration Share (subject to adjustment) to the Seller (or its wholly-owned subsidiary as the Seller may nominate) upon Completion. The Consideration Shares represent approximately 55.52% of the issued share capital of the Company as at the date of this announcement and approximately 35.70% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares from the date of this announcement and up to the Completion Date). The Consideration Shares will be issued by the Company under the Specific Mandate to be sought for approval by the Independent Shareholders at the EGM.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the relevant percentage ratios in respect of the Acquisition exceeds 25% but all of them are less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. As the Seller will become a controller (as defined in the Listing Rules) of the Company upon completion of the Acquisition, the Acquisition also constitutes a connected transaction of the Company under Rule 14A.28 of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE

As at the date of this announcement, the Seller and parties acting in concert with it do not hold any Shares. Upon Completion, the Seller (or its wholly-owned subsidiary as the Seller may nominate) will hold approximately 35.70% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares from the date of this announcement and up to the Completion Date).

Upon Completion, under Rule 26.1 of the Takeovers Code, the Seller (or, as the case may be, its wholly-owned subsidiary) would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares other than those already owned or agreed to be acquired by the Seller and parties acting in concert with it, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Seller (or, as the case may be, its wholly-owned subsidiary) will make an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll. The Executive may or may not grant the Whitewash Waiver. It is one of the non-waivable conditions of the Sale and Purchase Agreement that the Whitewash Waiver be granted by the Executive and approved by the Independent Shareholders at the EGM. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders, the Sale and Purchase Agreement will not proceed.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The authorised share capital of the Company is HK$380,000 comprising 1,520,000,000 Shares, of which 833,763,000 Shares are in issue as at the date of this announcement. In view of the Acquisition and the CITIC Acquisition and to provide the Company with greater flexibility to raise funds by allotting and issuing Shares in the future as and when necessary, the Board proposes to increase the authorised share capital of the Company from HK$380,000 to HK$760,000 by the creation of an additional 1,520,000,000 unissued Shares which rank *pari passu* in all respects with the existing Shares of the Company. The increase in authorised share capital of the Company is subject to the approval by an ordinary resolution of the Shareholders, which is proposed to be sought at the EGM.

PROPOSED CHANGE OF COMPANY NAME

Pursuant to the Sale and Purchase Agreement, the Company's English name and Chinese name will be changed from "Phoenix Healthcare Group Co. Ltd 鳳凰醫療集團有限公司" to "China Resources Phoenix Healthcare Holdings Company Limited 華潤鳳凰醫療控股有限公司" as soon as reasonably practicable after Completion. A special resolution will be proposed at the EGM to effect such change of names conditional upon and with effect from Completion.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Kwong Kwok Kong, Ms. Cheng Hong, Mr. Sun Jianhua and Mr. Lee Kar Chung Felix, has been established in compliance with the Listing Rules and the Takeovers Code to give recommendation to the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver. Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver.

CONTINUING CONNECTED TRANSACTIONS AND SPECIAL DEALS

Reference is made to the announcement of the Company dated 8 July 2016 in respect of the Yan Hua IOT Agreement with Yan Hua Hospital Group, the extension of the PMM Sales Framework Agreement with Yan Hua Hospital Group and the approval of the proposed annual caps in relation to the Yan Hua IOT Agreement and the PMM Sales Framework Agreement. The sponsor for Yan Hua Hospital Group is indirectly 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 Hospital Group is a connected person of the Company as defined under the Listing Rules and the CCT Renewals constitute continuing connected transaction under Chapter 14A of the Listing Rules.

The CCT Renewals are renewals of existing connected transactions of the Company and are conducted in the ordinary and usual course of business of the Company based on arm's length negotiation. Due to the Whitewash Waiver application, the CCT Renewals constitute special deals under Rule 25 of the Takeovers Code, which require among other thing the consent of the Executive. The Company will make an application to the Executive for the consent to proceed with the CCT Renewals. The Executive will normally grant consent to a special deal provided that (i) VMS Securities, the independent financial adviser, stating that in its opinion, the terms of the CCT Renewals are fair and reasonable; and (ii) the CCT Renewals are approved by the Independent Shareholders by way of a poll at the CCT EGM.

The CCT Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Kwong Kwok Kong, Ms. Cheng Hong, Mr. Sun Jianhua and Mr. Lee Kar Chung Felix, has been established in compliance with the Listing Rules and the Takeovers Code to give recommendation to the Independent Shareholders in respect of the CCT Renewals. VMS Securities has been appointed as the independent financial adviser with the approval of the CCT Independent Board Committee to advise the CCT Independent Board Committee and the Independent Shareholders in respect of the CCT Renewals.

The Company is now in the course of the preparing the CCT 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 VMS Securities to the CCT Independent Board Committee and the Independent Shareholders; and (iii) a notice of the CCT EGM.

GENERAL

The Company will despatch the Circular in accordance with the requirements under the Listing Rules and the Takeovers Code as soon as practicable containing, among other things, (i) details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver; (iii) the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders in the same regard; (iv) the financial information of the Group and the Target Group; and (v) the notice of the EGM. The Circular is expected to be despatched to the Shareholders within 15 Business Days from the date of this announcement pursuant to Rule 14A.68(11) of the Listing Rules or 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code, whichever is the earlier. The Company will seek the Executive's consent if it becomes clear that the Circular may not be able to be issued within 21 days from the date of this announcement and will apply to the Executive for an extension for the despatch of the Circular. Further announcement(s) will be made by the Company in this regard as and when appropriate.

WARNING

Completion is conditional upon fulfillment (or waiver, where applicable) of the Conditions. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares or other securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their position and as to the actions that they should take.

INTRODUCTION

Reference is made to the announcement issued by the Company on 8 April 2016 with regard to the signing of the binding Term Sheet for the proposed acquisition of the entire equity interest in the Target Company, through which the Purchaser will acquire the assets and equity interests of and/or the right to operate the Subject Institutions from the Seller and the announcement issued by the Company on 3 May 2016 with regard to the signing of the Supplemental Term Sheet and the signing of the CITIC Term Sheet with CITIC to acquire certain hospital assets with the consideration of HK$1,240,424,776 (subject to adjustment) to be satisfied by the allotment and the issue of the CITIC Consideration Shares. The Acquisition and the CITIC Acquisition are separate and independent from each other.

The Board is pleased to announce that on 30 August 2016 (outside trading hours), the Company, the Purchaser and the Seller entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Seller has conditionally agreed to sell, the entire issued share capital of the Target Company.

THE SALE AND PURCHASE AGREEMENT

A summary of the major terms of the Sale and Purchase Agreement is set out below:

Date

30 August 2016

Parties

(1) the Company

(2) the Purchaser (as the purchaser)

(3) the Seller (as the seller)

The Seller and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

The Acquisition

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire from the Seller the Sale Shares with all rights attaching to them (including the right to receive all dividends, distributions or any return of capital declared, made or paid on or after the Completion Date). The Sale Shares represent the entire issued share capital of the Target Company.

The Target Company is a wholly-owned subsidiary of the Seller, which owns the equity interests of one of the Subject Institutions and the sponsors of the other Subject Institutions. Further information on the Target Group is set out in the section headed “Information on the Target Group” below.

Consideration and Consideration Shares

As agreed in the Term Sheet, the Consideration for the Acquisition is HK$3,721,824,669, which will be satisfied by the allotment and issue of the Consideration Shares, to be credited as fully paid, at the Issue Price of HK$8.04 per Consideration Share to the Seller (or its wholly-owned subsidiary as the Seller may nominate) upon Completion. The Issue Price of HK$8.04 per Consideration Share and the number of Consideration Shares shall be adjusted accordingly in the event that the Shares are traded on ex-rights and ex-dividends basis. The Company does not have any plans to conduct any activity which would result in the Shares being traded on ex-rights and ex-dividends basis before Completion.

As at the date of this announcement, the Company has 833,763,000 Shares in issue. The Consideration Shares represent approximately 55.52 % of the issued share capital of the Company as at the date of this announcement, and approximately 35.70% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares from the date of this announcement up to the Completion Date) and approximately 32.43% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares and the CITIC Consideration Shares (assuming that the CITIC Acquisition is to proceed and there is no change in the issued share capital of the Company other than the issue of the Consideration Shares and the CITIC Consideration Shares from the date of this announcement up to the Completion Date or the date of completion of the CITIC Acquisition, whichever is the later).

The Consideration Shares and the CITIC Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with all the Shares in issue as at the date of allotment and issue of the Consideration Shares and the CITIC Consideration Shares, including the right to receive all dividends, distributions or any return of capital declared, made or paid on or after the date of allotment and issue of the Consideration Shares and the CITIC Consideration Shares.

The Consideration Shares will be issued by the Company under the Specific Mandate to be sought for approval by the Independent Shareholders at the EGM. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Issue Price of HK$8.04 per Consideration Share represents:

- a discount of approximately 11.6% to the closing price of the Shares as quoted on the Stock Exchange on the last trading day before the date of the Term Sheet of HK$9.10 per Share;

- the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days up to and including the last trading day before the date of the Term Sheet of HK$8.04 per Share;

- a premium of approximately 5.0% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten consecutive trading days up to and including the last trading day before the date of the Term Sheet of approximately HK$7.66 per Share; and

- a discount of approximately 37.7% to the closing price of the Shares as quoted on the Stock Exchange on the Last Trading Day of HK$12.90 per Share.

The Consideration and the Issue Price were arrived at after arm's length negotiations between the Company and the Seller prior the signing of the Term Sheet, 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 estimated assets value of the Subject Institutions; and

(d) the perceived strategic value of the Enlarged Group, being one of the largest medical healthcare groups in Asia measured by the number of beds in operation and patient visits.

Conditions Precedent

Completion of the Acquisition is conditional upon the satisfaction (or, if applicable, the waiver) of the following Conditions prior to the Long Stop Date:

(1) the entry into and performance of the Sale and Purchase Agreement and the transactions contemplated thereunder by the Purchaser and the Company, including but not limited to the purchase of the Sale Shares, the issue of the Consideration Shares and the grant of the Whitewash Waiver having been approved by the Independent Shareholders by way of poll at the EGM duly convened in accordance with applicable requirements under the Listing Rules, the Takeovers Code and the articles of association of the Company;

(2) the Whitewash Waiver having been granted by the Executive and not having been revoked or withdrawn;

(3) (if required) approval for the new listing application of the transaction contemplated under the Sale and Purchase Agreement having been granted by the Listing Committee of the Stock Exchange (if any additional conditions are imposed by the Stock Exchange, such additional conditions shall be acceptable to both the Seller and the Purchaser; and any conditions that are imposed based on the market practice are deemed to be acceptable to both the Seller and the Purchaser), and such approval not having been revoked or withdrawn;

(4) approval for the listing of, and permission to deal in the Consideration Shares having been granted by the Stock Exchange and not having been revoked or withdrawn;

(5) fulfilment of filing procedures for state-owned assets valuation in relation to the sale of the Sale Shares having been completed by the Seller and that the Sale Shares can be sold at the value of the Consideration;

(6) no change, event or circumstance having occurred which has or may have a material adverse effect on the Target Group as a whole (save and except for matters disclosed in the applicable accounts);

(7) no change, event or circumstance having occurred which has or may have a material adverse effect on the Group as a whole;

(8) approval for the sale of Sale Shares having been granted by the Anti-Monopoly Bureau under the Ministry of Commerce of the PRC and such approval not having been revoked or withdrawn; and

(9) the completion of the Reorganization.

The Company and the Purchaser may at any time waive the Condition set out in sub-paragraph (6) (with respect to the Target Group) above by notice in writing to the Seller, while the Seller may waive the Condition set out in sub-paragraph (7) (with respect to the Purchaser). Save for the aforementioned, the Whitewash Waiver, the Reorganization and the other Conditions set out above are not capable of being waived.

If any of the Conditions set out above has not been fulfilled or waived (if applicable) on or before the Long Stop Date, the Sale and Purchase Agreement shall terminate and the rights and obligations of the Seller and the Purchaser under the Sale and Purchase Agreement shall cease immediately, save in respect of antecedent breaches.

Appointment of Directors

The Company undertakes to the Seller that after Completion, the Company shall, subject to all applicable laws and regulations, including the Listing Rules, procure the Board, which shall comprise 11 Directors out of which at least 4 shall be independent non-executive Directors, to pass a resolution to appoint up to four persons nominated by the Seller to be the Directors (of which two shall be executive Directors and two shall be non-executive Directors). In accordance with the requirements of the Listing Rules and the articles of association of the Company, the new Directors shall hold office only until the first general meeting of the Shareholders after their appointment and shall then be eligible for re-election.

Undertaking of the Seller

The Seller undertakes to the Company that it will not sell, transfer or otherwise dispose of the Consideration Shares for a period of one year from the date of issue without the consent of the Company.

Completion

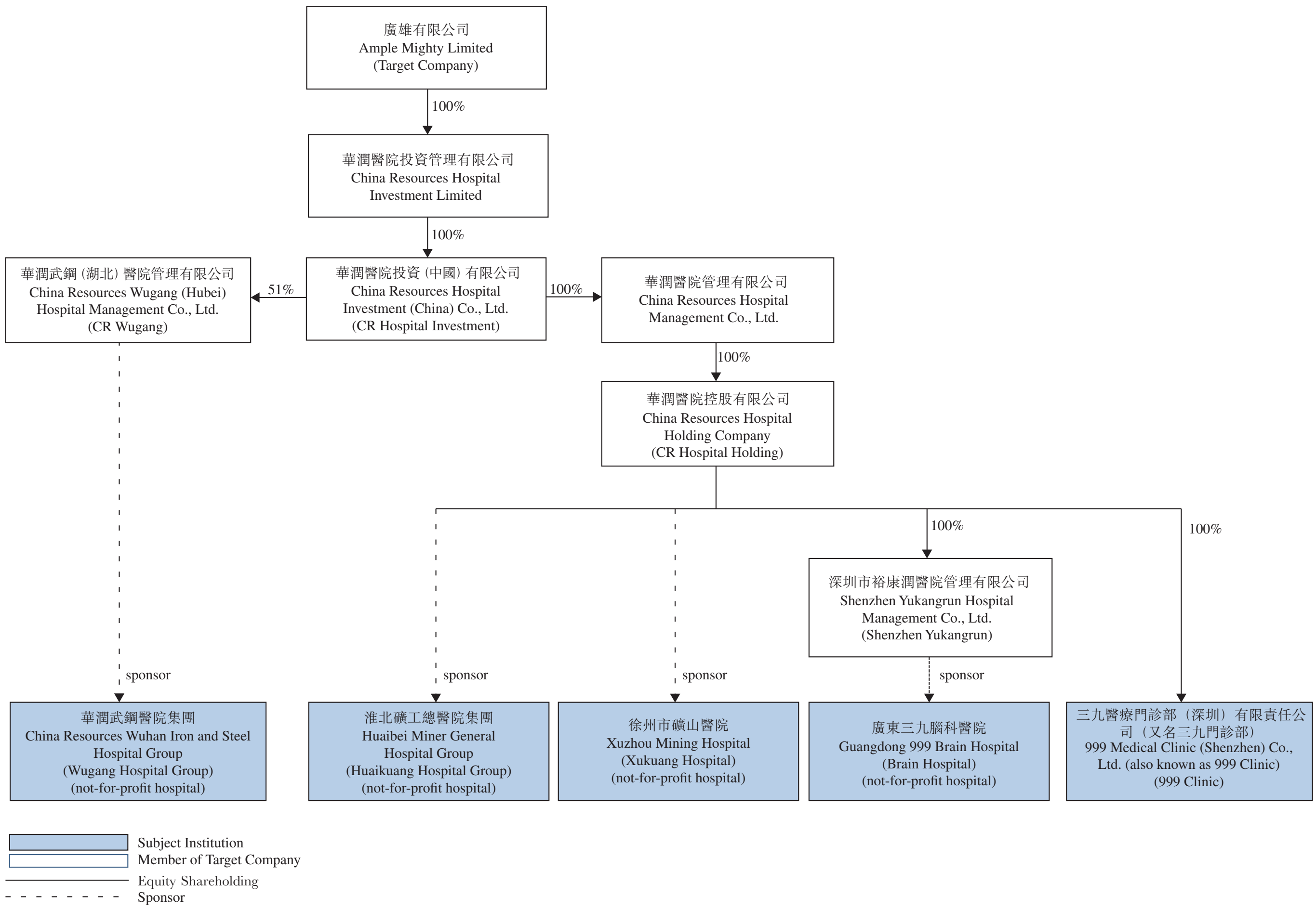
Completion shall take place on the date falling ten Business Days after the day on which the last of the Conditions has been satisfied or (if applicable) waived or such other date as the Purchaser and the Seller may agree in writing.

INFORMATION ON THE TARGET GROUP

Structure of the Target Group

The Target Company is incorporated in the British Virgin Islands and is engaged in the provision of general hospital services and hospital consultancy services in the PRC.

The Target Company owns 100% equity interests of 999 Clinic, CR Hospital Holding, which is the sponsor for Huaikuang Hospital Group and Xukuang Hospital, and Shenzhen Yukangrun, which is the sponsor for Brain Hospital, and 51% equity interest of CR Wugang, which is the sponsor for Wugang Hospital Group. Below is the structure chart depicting the Target Group and the Subject Institutions:



The Subject Institutions

The Subject Institutions comprise (i) Xukuang Hospital, (ii) Huaikuang Hospital Group, (iii) Brain Hospital, (iv) 999 Clinic, and (v) Wugang Hospital Group. 999 Clinic is the only Subject Institution operated by the Target Group through direct equity interest ownership. The Target Company owns equity interest in the respective sponsors for the remaining Subject Institutions, which enjoy certain rights and powers in relation to such Subject Institutions.

(i) Xukuang Hospital

Xukuang Hospital, whose sponsor is CR Hospital Holding, is a not-for-profit, Grade II hospital located in Xuzhou, the PRC. As of 31 December 2015, Xukuang Hospital had 18 clinical departments, including general medicine, surgery, gynecology, pediatrics, otolaryngology, ophthalmology and is well-known for its nuclear medicine. Xukuang Hospital is a medical insurance designated medical institution in Xuzhou. As of 31 December 2015, Xukuang Hospital had 568 employees, including 145 doctors, 376 other medical professionals and 400 beds in operation. The 145 doctors of Xukuang Hospital consisted of 4 chief doctors, 31 associate-chief doctors, 58 attending doctors and 52 resident doctors.

(ii) ***Huaikuang Hospital Group***

Huaikuang Hospital Group, whose sponsor is CR Hospital Holding, consists of Huaibei Miner General Hospital* (淮北礦工總醫院), 14 branch hospitals, 9 community healthcare centers and 1 elderly care institution. Huaibei Miner General Hospital is a not-for-profit hospital and is one of the largest Grade III hospitals located in Huaibei, Anhui, the PRC. As of 31 December 2015, Huaibei Miner General Hospital had 29 clinical departments, including 1 provincial key specialized department and 9 municipal key specialized departments, with a focus on traumatology. Huaibei Miner General Hospital is affiliated with Bengbu Medial College* (蚌埠醫學院) and is a medical insurance designated medical institution in Huaibei. As of 31 December 2015, Huaikuang Hospital Group had 2,583 employees, including 858 doctors, 1,509 other medical professionals and 2,765 beds in operation. The 858 doctors of Huaikuang Hospital Group consisted of 33 chief doctors, 90 associate-chief doctors, 453 attending doctors and 282 resident doctors.

(iii) ***Brain Hospital***

Brain Hospital, whose sponsor is Shenzhen Yukangrun, is a not-for-profit specialized hospital accredited as equivalent to Grade III, located in Guangzhou, Guangdong, the PRC. Brain Hospital has the largest rehabilitation training center in Guangdong. As of 31 December 2015, Brain Hospital had 15 clinical departments, including its nationally renowned neurosurgery. Brain Hospital is a medical insurance designated medical institution in Guangzhou. As of 31 December 2015, Brain Hospital had 1,051 employees, including 236 doctors, 663 other medical professionals and 776 beds in operation. The 236 doctors of Brain Hospital consisted of 31 chief doctors, 32 associate-chief doctors, 62 attending doctors and 111 resident doctors.

(iv) ***999 Clinic***

999 Clinic is a for-profit medical institution wholly owned by CR Hospital Holding located in Shenzhen. As of 31 December 2015, 999 Clinic had 7 clinical departments, including general medicine, surgery, dermatology, otolaryngology and Chinese medicine. 999 Clinic is a medical insurance designated medical institution in Shenzhen. As of 31 December 2015, 999 Clinic had 47 employees, including 36 doctors and 11 other medical professionals. The 36 doctors of 999 Clinic consisted of 1 chief doctor, 2 associate-chief doctors, 26 attending doctors and 7 resident doctors.

(v) ***Wugang Hospital Group***

Wugang Hospital Group consists of Wugang General Hospital and Wugang No. 2 Hospital, both of which are Grade III hospitals located in Wuhan, Hubei, the PRC. The sponsor for Wugang General Hospital is CR Wugang, a joint venture company with 51% equity interest held by CR Hospital Investment and 49% equity interest held by Wugang Group. As of 31 December 2015, Wugang General Hospital had 7 subsidiary institutions, including 1 rehabilitation hospital and 6 community healthcare centers, and Wugang No. 2 Hospital had 9 subsidiary institutions, including 1 clinic, 2 elderly care institutions and 6 community healthcare centers. As of 31 December 2015, Wugang General Hospital and Wugang No.2 Hospital had 46 clinical departments in total, of which 2 are provincial key specialized departments and 7 are municipal key specialized departments. Wugang General Hospital and Wugang No. 2 Hospital are both medical insurance designated medical institutions in Wuhan. As of 31 December 2015, Wugang Hospital Group had 2,715 employees, including 646 doctors, 1,299 other medical professionals and 1,868 beds in operation. The 646 doctors of Wugang Hospital Group consisted of 41 chief doctors, 262 associate-chief doctors, 192 attending doctors and 151 resident doctors.

The following table sets forth certain key operational information of the Subject Institutions for the year ended 31 December 2015:

Subject Institutions	Number of beds in operation as at 31 December 2015	For the year ended 31 December 2015 Number of outpatient visit	Number of inpatient visit	Average spending per outpatient visit *(RMB)*	Average spending per inpatient visit *(RMB)*	For the five months ended 31 May 2016 Number of outpatient visit	Number of inpatient visit	Average spending per outpatient visit *(RMB)*	Average spending per inpatient visit *(RMB)*
Xukuang Hospital	400	95,575	15,767	359	8,183	47,423	7,354	350	8,961
Huaikuang Hospital Group	2,765	1,115,127	57,848	209	7,783	504,455	26,206	189	7,196
Brain Hospital	776	175,797	25,427	776	24,032	70,934	10,196	851	26,134
999 Clinic	No bed in operation	22,300	No inpatient visit	183	No inpatient visit	9,065	No inpatient visit	182	No inpatient visit
Wugang Hospital Group	1,868	976,338	54,831	295	7,989	386,396	21,326	281	8,961

The audited total revenue and net profit of the Subject Institutions for the year ended 31 December 2015 are approximately RMB2,434 million and RMB182 million respectively.

Consultancy Services Contracts

CR Hospital Investment entered into a Consultancy Services Contract with each of Huaikuang Hospital Group and Brain Hospital, which took effect as from 1 May 2016, and a Consultancy Services Contract with Xukuang Hospital, which took effect as from 24 December 2015. All the Consultancy Services Contracts have a term of 20 years and are on largely the same terms and conditions, save for the contracting parties and effective dates.

Pursuant to the Consultancy Services Contracts, the Target Group provides consultancy services to the relevant Subject Institutions, to ensure that a standardized process is implemented throughout these hospitals which utilizes the platform and resources of the Target Group (and the Enlarged Group after Completion) and improves these hospitals' management and services quality. In particular, these Subject Institutions are permitted to use the brand name of CR Hospital Investment under the Consultancy Services Contracts which enables them to leverage on the Target Group's brand value. The Target Group also provides support to these Subject Institutions and assists them to improve and standardize the service quality, the information systems, the logistics management and other aspects of their operations. The Target Group also provides its consultancy services to these Subject Institutions in relation to areas such as human resources, organizational structure, operation performance, training and cost management including assisting them to recruit the necessary experts and specialists. Moreover, under the Consultancy Services Contracts, the Target Group (and the Enlarged Group after Completion) is able to share its resources with these Subject Institutions in accordance with their business development plans and their needs, including but not limited to, the hospital internal management system, the medical instruments, the medicine search and order system, the medical software programme and the training systems. These Subject Institutions would also benefit from the experience of the Target Group (and the Enlarged Group after Completion) in hospital supply chain management. In return, CR Hospital Investment charges Xukuang Hospital, Huaikuang Hospital Group and Brain Hospital service fees for the consultancy services provided. Under the Consultancy Services Contracts, the service fees will be charged on a yearly basis (proportionately for period less than one year) and shall be the sum of certain percentages of the revenue and the audited net profits (before deduction of the service fees) of the relevant Subject Institution, provided that the service fees shall not be more than the audited net profits (before deduction of the service fees) of the relevant Subject Institution. For illustration purposes only, please refer to the unaudited pro forma financial information of Target Group set out in the appendix to this announcement for the service fees as if the Consultancy Services Contracts had been entered into on 1 January 2015.

Executive Committee

According to the latest articles of association of Xukuang Hospital, Huaikuang Hospital Group and Brain Hospital, their respective executive committee is the highest authority for the management of each hospital. Such executive committee comprises 3 members appointed by the sponsor, a member elected by the employees and a member who is the chairman of the labour union of the relevant hospital. The senior management of each hospital, comprising the administrator, deputy administrator, financial officer and other management staff, is responsible for the daily operation of the hospital. The adoption of the Consultancy Services Contracts provides guidance and standardized operation protocols to be extended to each hospital. Important matters of the hospital, including but not limited to (1) amendments of the articles of association, (2) merger, reorganization and dissolution of the hospital, (3) approval of annual budget, and (4) appointment of the administrator of the hospital would require the consent of two-thirds of the members of the executive committee. This would perpetuate a consensus building culture and mitigate risks of unnecessary changes to management directions.

999 Clinic and Wugang Hospital Group

999 Clinic is a for-profit medical institution with equity interest owned by CR Hospital Holding and, after Completion, the Company would be able to operate 999 Clinic in the same manner as Beijing Jian Gong Hospital Co., Ltd., an equity-owned for-profit hospital of the Group. As such, the parties consider that a consultancy services contract and new articles of association are not necessary for 999 Clinic.

CR Hospital Investment only holds 51% equity interest in CR Wugang, the sponsor for Wugang Hospital Group. The Target Group is currently in the course of negotiation with Wugang Group, the other shareholder holding 49% equity interest in CR Wugang, and Wugang Hospital Group in relation to the new articles of association and consultancy services contract of Wugang Hospital Group.

Reorganization

The Seller carried out the Reorganization to finalize and group together the Subject Institutions, which are the subject medical institutions relating to the Acquisition, and to streamline the operations of the Target Group. In particular, the following steps have been/will be completed before Completion:

(a) Commencement of transfer of the employees not related to the hospital operation division out of the Target Group and the termination of leases of the Target Group's office premises in Beijing and Shenzhen;

(b) The Seller procured China Resources Company Limited* (華潤股份有限公司), the indirect holding company of the Seller, to transfer 100% equity interest in Shenzhen Yukangrun, being the sponsor of the Brain Hospital, to the Target Group for the purposes of the Acquisition;

(c) The Seller further transferred Million Ease, which holds equity interest in one of the joint sponsors for Kunming Children's Hospital, out of the Target Group for the reason that the Seller has not yet obtained the consent for the transfer of the sponsorship to the Company from Kunming Bureau of Health, which is the other joint sponsor for Kunming Children's Hospital;

(d) CR Health Technology was transferred out of the Target Group as it is principally engaged in the business of health information services and currently only has limited operations, which do not fit into the business of the Company;

(e) CR Hospital Investment entered into the Consultancy Services Contracts with Xukuang Hospital, Huaikuang Hospital Group and Brain Hospital, respectively;

(f) The Target Company issued 49,999 shares to the Seller by capitalizing the loans in the total amount of approximately RMB1,109,633,000 advanced by the Seller to the Target Company, which form part of the Sale Shares to be transferred to the Purchaser; and

(g) CR Wugang transferred certain assets used for the operation of Wugang Hospital Group to Wugang Hospital Group.

Financial Information of the Target Group

Set out below is the financial information extracted from the audited consolidated financial statements of the Target Group for the two years ended 31 December 2014 and 2015 and as at 31 May 2016:

	For the year ended 31 December 2015	For the year ended 31 December 2014
Net losses before tax	RMB114 million	RMB121 million
Net losses after tax	RMB115 million	RMB121 million

	As at 31 May 2016
Net assets	**RMB899 million**

The net losses before and after tax disclosed in the table above represent the historical financial information of the Target Group, on the basis of non-consolidation of the Subject Institutions and lack of the Consultancy Services Contracts, and therefore do not reflect the impact of the Consultancy Services Contracts and the Reorganization.

If the conditions precedent set out below for the Target Group to achieve before Completion as stated in the Sale and Purchase Agreement had been satisfied on 1 January 2015:

(a) the transfer of the employees not related to hospital operation division out of the Target Group and the termination of two leases of the Target Group's office premises in Beijing and Shenzhen;

(b) the disposal of Million Ease;

(c) the disposal of CR Health Technology;

(d) the capitalisation of the Seller's loans in the total amount of approximately RMB1,109,633,000;

(e) the entering of the Consultancy Services Contracts; and

(f) the transfer of certain assets of CR Wugang used for the operation of Wugang Hospital Group to Wugang Hospital Group,

the unaudited pro forma net profit of the Target Group would be as follows:

	For the year ended 31 December 2015	**For the five months ended 31 May 2016**
unaudited pro forma net profit	RMB80.6 million	RMB46.4 million

The difference between the audited net losses and the unaudited pro forma net profits of the Target Group is due to the pro forma adjustments stated above, and in particular resulted from the impact of the Consultancy Services Contracts and the Reorganization.

For details of the unaudited pro forma financial information of the Target Group, please refer to the appendix to this announcement. The unaudited pro forma financial information of the Target Group constitutes a profit forecast under Rule 10 of the Takeovers Code and pro forma financial information under Rule 4.29 of the Listing Rules. Merrill Lynch (Asia Pacific) Limited and BOCOM International (Asia) Limited, the Company's financial advisers in respect of the Acquisition, have reported on the unaudited pro forma financial information of the Target Group in accordance with Rule 10 of the Takeovers Code, whose opinions letters have been lodged with the Executive and will be included in the Circular. Deloitte Touche Tohmatsu, the Company's reporting accountants, has reported on the unaudited pro forma financial information of the Target Group in accordance with Rule 10 of the Takeovers Code and Rule 4.29(7) of the Listing Rules, whose report has been set out in the appendix to this announcement and been lodged with the Executive and will be included in the Circular. Deloitte Touche Tohmatsu has given and has not withdrawn its consent to the issue of this announcement with the inclusion of its letter and reference to its name and logo in the form and context in which they respectively appear.

POTENTIAL CONNECTED TRANSACTIONS

Currently CR Holdings, through its subsidiaries, have certain supply arrangements with the Subject Institutions and the Group, including pharmaceuticals, medical devices and medical consumables, uniform and utility services at market rates and it is contemplated that such supply arrangements will continue after Completion. As the Seller is a wholly-owned subsidiary of CR Holdings and would be a controlling shareholder of the Company upon Completion, such supply arrangements would constitute continuing connected transactions. The Company intends to enter into a framework agreement to continue such supply arrangements for the Enlarged Group after Completion and will comply with the relevant requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE PARTIES

Information on the Company and the Purchaser

The Company was incorporated in the Cayman Islands and the Shares are listed on the Main Board of the Stock Exchange. The Purchaser is a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands.

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 and 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

The Seller is principally engaged in the businesses of hospital investment, operation, management and relevant extended services and is a wholly-owned subsidiary of CR Holdings a diversified conglomerate in the PRC and Hong Kong, which is one of the key and large scale state-owned enterprises under the administration of the State-owned Assets Supervision and Administration Commission of the State Council in the PRC.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Acquisition represents a valuable opportunity for the Company to significantly and quickly expand its hospital network, which is one of its key strategies to become the leading hospital group in Asia, as described in its prospectus of November 18, 2013. The Group's current hospital network focuses on Beijing, Tianjin and Hebei only and the Acquisition will significantly expand the geographical coverage of the Group's hospital network to cover more key districts of the PRC. The Subject Institutions will become the regional centers of the Group, based on which a national medical and healthcare resources platform would be established. These immediate benefits align with the Group's long established development strategy and will also boost up the Group's brand.

The Seller, as one of the large state-owned enterprises in the healthcare industry in the PRC, will become a controlling shareholder of the Company. The Company considers that the cooperation is of critical value for the integration of the resources of the Group and China Resources Group, which will further advance the expansion of the Group's hospital network. Combining China Resources Group's extensive resources and diversified business structures in the medial healthcare industry and the Group's experience and expertise in public hospital reform and hospital group management, the alignment of interests through the Acquisition will enable the Enlarged Group to become a leading player of the medical healthcare industry in the PRC.

The Acquisition will also establish a national healthcare platform to promote the sharing of resources among the member agencies and lower the procurement costs through economies of scale, by which the Enlarged Group's operation efficiencies will be increased. This will further optimize the Group's medical service business structure, enhance the quality of the Group's medical service as well as operation and management capabilities and provide stronger support for the Enlarged Group's long term development.

The Enlarged Group will focus on development of regional integrated delivery system and building the hierarchical medical system to optimize medical resources allocation through the synergies among the service networks of primary preventive care, acute care and post-operative rehabilitation. With the strategic expansion into industry chains, including elderly care and insurance, the Enlarged Group will explore the integration of healthcare with insurance and elderly care so as to become an important part of the national ecosystem of medical healthcare services supply.

In view of the above, the Directors (other than the independent non-executive Directors who shall form their views after receiving the advice from Somerley) are of the view that the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

EFFECT OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 833,763,000 Shares in issue. The Company does not have any outstanding options, derivatives, warrants or securities which are convertible or exchangeable into Shares and has not entered into any agreement for the issue of such options, derivatives, warrants or securities which are convertible into or exchangeable into Shares.

The following table illustrates the shareholding structures of the Company (i) as at the date of this announcement; (ii) immediately after Completion (assuming there is no change in the issued share capital of the Company other than the issue of the Consideration Shares from the date of this announcement up to the Completion Date); and (iii) immediately after Completion and the completion of the CITIC Acquisition (assuming that the CITIC Acquisition is to proceed and there is no change in the issued share capital of the Company other than the issue of the Consideration Shares and the CITIC Consideration Shares from the date of this announcement up to the Completion Date and the date of completion of CITIC Acquisition, whichever is the later):

	(i) At the date of this announcement		(ii) Immediately after Completion		(iii) Immediately after Completion and the completion of the CITIC Acquisition	
Name of the Shareholder	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding	Number of Shares	Approximate percentage of shareholding
Seller	0	0%	462,913,516	35.70%	462,913,516	32.43%
CITIC	0	0%	0	0%	130,571,029	9.15%
Ms. Xu Jie and parties acting in concert with her[1]	208,860,000	25.05%	208,860,000	16.11%	280,860,000	14.63%
Mr. Liang Hongze[2]	26,860,912	3.22%	26,860,912	2.07%	26,860,912	1.88%
Mr. Jiang Tianfan[3]	10,551,648	1.27%	10,551,648	0.82%	10,551,648	0.74%
Other Directors[4]	6,677,580	0.80%	6,677,580	0.51%	6,677,580	0.47%
other public Shareholders	580,812,860	69.66%	580,812,860	44.79%	580,812,860	40.70%
Total	**833,763,000**	**100%**	**1,296,676,516**	**100%**	**1,427,247,545**	**100%**

1. Including Ms. Xu Jie, who is an executive Director and the chairman of the Company and is interested in 13,868,000 Shares(representing 1.66% of the existing issued Shares), Ms. Xu Xiaojie, who is the daughter of Ms. Xu Jie and is interested in 13,590,640 Shares (representing 1.63% of the existing issued Shares), and Speed Key Limited, which is wholly owned by Xu Baorui, the father of Xu Jie, and is interested in 181,401,360 Shares (representing 21.76% of the existing issued Shares).

2. Mr. Liang Hongze is an executive Director and the chief executive officer of the Company.

3. Mr. Jiang Tianfan is an executive Director and the chief financial officer of the Company.

4. Including Mr. Zhang Xiaodan, Mr. Xu Zechang, Mr. Shan Baojie and Mr. Cheng Libing.

Based on the current shareholding structure of the Company, the Company will continue to be able to satisfy the public float requirement under the Listing Rules following the issue of the Consideration Shares.

As at the date of this announcement, the Seller confirms that (i) none of the Seller, its ultimate beneficial owners and/or parties acting in concert with any of them owns or has control or direction over any voting rights and rights over any Shares or any options, warrants or convertible securities in respect of the Shares or has entered into any outstanding derivatives contracts in respect thereof; (ii) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Seller, its ultimate beneficial owners and/or any parties acting in concert with any of them has borrowed or lent; and (iii) none of the Seller, its ultimate beneficial owners and/or parties acting in concert with any of them has dealt for value in any Shares, convertible securities, warrants, options or derivatives of the company during the six months period immediately prior to 8 April 2016 when the Company issued the announcement with regard to the signing of the binding Term Sheet.

As at the date of this announcement, save for the Sale and Purchase Agreement, the Seller confirms that (i) there are no agreements or arrangements to which the Seller is a party which relate to circumstances in which it may or may not invoke or seek a pre-condition or a condition to the Acquisition and/or the Whitewash Waiver; (ii) none of the Seller, its ultimate beneficial owners and/or parties acting in concert with any of them has received any irrevocable commitment to vote for or against the Acquisition and/or the Whitewash Waiver; and (iii) there are no arrangements (whether by way of option, indemnity or otherwise) of the kind referred to in Note 8 to Rule 22 of the Takeovers Code in relation to the Shares or the shares of the Company or the Seller, which might be material to the Acquisition and/or the Whitewash Waiver.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the relevant percentage ratios in respect of the Acquisition exceed 25% but all of them are less than 100%, the Acquisition constitutes a major transaction for the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Seller will become a controller (as defined in the Listing Rules) of the Company upon Completion, the Acquisition also constitutes a connected transaction of the Company under Rule 14A.28 of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

IMPLICATIONS UNDER THE TAKEOVERS CODE

Upon Completion, the Seller (or its wholly-owned subsidiary as the Seller may nominate) will hold approximately 35.70% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares from the date of this announcement and up to the Completion Date).

Upon Completion, under Rule 26.1 of the Takeovers Code, the Seller (or, as the case may be, its wholly-owned subsidiary) would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares other than those already owned or agreed to be acquired by the Seller and parties acting in concert with it, unless the Whitewash Waiver is obtained from the Executive. In this regard, the Seller (or, as the case may be, its wholly-owned subsidiary) will make an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted by the

Executive, will be subject to, among other things, (i) the approval of the Independent Shareholders at the EGM by way of poll; and (ii) the Seller (or, as the case may be, its wholly-owned subsidiary) and parties acting in concert with it not having any acquisitions or disposals of voting rights of the Company from the date of this announcement and up to Completion unless with the prior consent of the Executive. The Executive may or may not grant the Whitewash Waiver. The granting of the Whitewash Waiver is a non-waivable condition precedent to Completion. If the Whitewash Waiver is not obtained and/or approved by the Independent Shareholders, the Acquisition will not proceed.

As at the date of this announcement, the Company does not believe that the Acquisition gives rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavor to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the despatch of the Circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Acquisition does not comply with other applicable rules and regulations.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The authorised share capital of the Company is HK$380,000 comprising 1,520,000,000 Shares, of which 833,763,000 Shares are in issue as at the date of this announcement. In view of the Acquisition and the CITIC Acquisition and to provide the Company with greater flexibility to raise funds by allotting and issuing Shares in the future as and when necessary, the Board proposes to increase the authorised share capital of the Company from HK$380,000 to HK$760,000 by the creation of an additional 1,520,000,000 unissued Shares which rank *pari passu* in all respects with the existing Shares of the Company. The increase in authorised share capital of the Company is subject to the approval by an ordinary resolution of the Shareholders, which is proposed to be sought at the EGM.

PROPOSED CHANGE OF COMPANY NAME

Pursuant to the Sale and Purchase Agreement, the Company's English name and Chinese name will be changed from "Phoenix Healthcare Group Co. Ltd 鳳凰醫療集團有限公司" to "China Resources Phoenix Healthcare Holdings Company Limited 華潤鳳凰醫療控股有限公司" as soon as reasonably practicable after Completion. A special resolution will be proposed at the EGM to effect such change of names conditional upon and with effect from Completion.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Kwong Kwok Kong, Ms. Cheng Hong, Mr. Sun Jianhua and Mr. Lee Kar Chung Felix, has been established in compliance with the Listing Rules and the Takeovers Code to advise the Independent Shareholders as to (i) whether the terms of the Acquisition (including but not limited to the grant of the Specific Mandate) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and to give its recommendation as to the voting in respect of the resolution(s) to be proposed at the EGM for approving the Acquisition and the Specific Mandate, and (ii) whether the terms of the Whitewash Waiver are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to give its recommendation as to the voting in respect of the resolution to be proposed at the EGM for approving the Whitewash Waiver, after taking into account the recommendation of Somerley. Somerley has been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver.

DESPATCH OF CIRCULAR

The Company will despatch the Circular in accordance with the requirements under the Listing Rules and the Takeovers Code as soon as practicable containing, among other things, (i) details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver; (iii) the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders in the same regard; (iv) the financial information of the Group and the Target Group; and (v) the notice of the EGM. The Circular is expected to be despatched to the Shareholders within 15 Business Days from the date of this announcement pursuant to Rule 14A.68(11) of the Listing Rules or 21 days from the date of this announcement pursuant to Rule 8.2 of the Takeovers Code, whichever is the earlier. The Company will seek the Executive's consent if it becomes clear that the Circular may not be able to be issued within 21 days from the date of this announcement and will apply to the Executive for an extension for the despatch of the Circular. Further announcement(s) will be made by the Company in this regard as and when appropriate.

CONTINUING CONNECTED TRANSACTIONS AND SPECIAL DEALS

Reference is made to the announcement of the Company dated 8 July 2016 in respect of the Yan Hua IOT Agreement with Yan Hua Hospital Group, the extension of the PMM Sales Framework Agreement with Yan Hua Hospital Group and the approval of the proposed annual caps in relation to the Yan Hua IOT Agreement and the PMM Sales Framework Agreement. The sponsor for Yan Hua Hospital Group is indirectly 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 Hospital Group is a connected person of the Company as defined under the Listing Rules and the CCT Renewals constitute continuing connected transaction under Chapter 14A of the Listing Rules.

The CCT Renewals are renewals of existing connected transactions of the Company and are conducted in the ordinary and usual course of business of the Company based on arm's length negotiation. Due to the Whitewash Waiver application, the CCT Renewals constitute special deals under Rule 25 of the Takeovers Code, which require among other thing the consent of the Executive. The Company will make an application to the Executive for the consent to proceed with the CCT Renewals. The Executive will normally grant consent to a special deal provided that (i) VMS Securities, the independent financial adviser, stating that in its opinion, the terms of the CCT Renewals are fair and reasonable; and (ii) the CCT Renewals are approved by the Independent Shareholders by way of a poll at the CCT EGM.

The CCT Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Kwong Kwok Kong, Ms. Cheng Hong, Mr. Sun Jianhua and Mr. Lee Kar Chung Felix, has been established in compliance with the Listing Rules and the Takeovers Code to advise the Independent Shareholders as to whether the terms of the CCT Renewals are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to give its recommendation as to the voting in respect of the resolution to be proposed at the CCT EGM, after taking into account the recommendation of VMS Securities. VMS Securities has been appointed as the independent financial adviser with the approval of the CCT Independent Board Committee to advise the CCT Independent Board Committee and the Independent Shareholders in respect of the CCT Renewals.

The Company has submitted the draft CCT Circular to the Stock Exchange for vetting and will target to finalize the CCT Circular as soon as practicable after obtaining clearance from the Stock Exchange and the SFC. The CCT Circular will contain, 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 VMS Securities to the CCT Independent Board Committee and the Independent Shareholders; and (iii) a notice of the CCT EGM.

The CCT Renewals on the one hand and the Acquisition and the Whitewash Waiver on the other hand are separate transactions and are not inter-conditional. As such, if the Acquisition and the Whitewash Waiver are approved at the EGM and the Whitewash Waiver is granted by the SFC, the Company would proceed to Completion subject to the terms and conditions of the Sale and Purchase Agreement irrespective of whether the CCT Renewals are approved at the CCT EGM. Similarly, if the Executive's consent in respect of the CCT Renwals is granted and the CCT Renewals are approved at the CCT EGM, the Company would proceed with the CCT Renwals irrespective of whether the Acquisition and the Whitewash Waiver are approved at the EGM.

GENERAL

The EGM will be held to consider and, if thought fit, pass the resolutions to approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate, the increase in authorised share capital and the Whitewash Waiver. The CCT EGM will be held to consider and if thought fit, pass the resolutions to approve, among other things, the CCT Renewals (being special deals under the Takeovers Code). Any Shareholder who is involved in or interested in the Acquisition and/or the Whitewash Waiver and/or the CCT Renewals shall abstain from voting on the resolutions. As at the date of this announcement, the Seller, its associates and parties acting in concert do not hold any Shares.

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. Speed Key Limited is wholly owned by Mr. Xu Baorui, father of Ms. Xu Jie. Since the CCT Renewals constitute special deals under Rule 25 of the Takeovers Code and she is interested in and involved in the CCT Renewals, the Acquisition and the Whitewash Waiver, Ms. Xu Jie, her associates and parties acting in concert with her (including Speed Key Limited, Mr. Xu Baorui and Ms. Xu Xiaojie) will abstain from voting on the resolutions to approve the Acquisition, the Whitewash Waiver and the CCT Renewals, at the EGM and the CCT EGM respectively, in respect of their respective shareholding interest in the Company.

Mr. Liang Hongze, an executive Director and the chief executive officer of the Company, and Mr. Jiang Tianfan, an executive Director and the chief financial officer of the Company, were involved in negotiation of the Acquisition and the Whitewash Waiver and therefore were considered to be involved in the Acquisition and the Whitewash Waiver. Accordingly, Mr. Liang Hongze and Mr. Jiang Tianfan will abstain from voting on the resolutions to approve the Acquisition, the Whitewash Waiver and the CCT Renewals at the EGM and the CCT EGM respectively, in respect of their respective shareholding interest in the Company. As at the date of this announcement, Mr. Liang Hongze holds approximately 3.22% of the issued share capital of the Company through his wholly-owned company, Xin Yue Development Limited, and Mr. Jiang Tianfan, holds approximately 1.27% of the issued share capital of the Company through his wholly-owned company, True Glory Global Limited. Mr. Zhang Xiaodan, Mr. Xu Zechang, Mr. Shan Baojie and Mr. Cheng Libing, the remaining executive Directors, were not involved in the negotiation of the Acquisition and the Whitewash Waiver. Save as disclosed above, no Shareholder is required to abstain from voting for the resolutions to be proposed at the EGM.

WARNING

Completion is conditional upon fulfillment (or waiver, where applicable) of the Conditions. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares or other securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their position and as to the actions that they should take.

DEFINITIONS

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

"Acquisition"	the sale and purchase of the entire issued share capital of the Target Company as contemplated under the Sale and Purchase Agreement;
"acting in concert"	has the meaning ascribed to it under the Takeovers Code;
"associates"	has the meaning ascribed to it under the Listing Rules;
"Board"	the board of Directors;
"Brain Hospital"	Guangdong 999 Brain Hospital* (廣東三九腦科醫院);
"Business Day"	means a day (other than a Saturday or Sunday or public holiday) when commercial banks are open for ordinary banking business in Hong Kong;
"CCT Circular"	the circular to be despatched to the Shareholders 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 VMS Securities to the CCT Independent Board Committee and the Independent Shareholders; and (iii) a notice of the CCT EGM;
"CCT EGM"	the extraordinary general meeting of the Company to be held for the purpose of considering and, if thought fit, approving, among other things, the CCT Renewals;
"CCT Independent Board Committee"	the independent board committee of the Board comprising all the independent non-executive Directors established pursuant to the Listing Rules and the Takeovers Code to give recommendation to the Independent Shareholders in respect of the CCT Renewals;
"CCT Renewals"	the approval of Yan Hua IOT Agreement, the extension of the PMM Sales Framework Agreement and the approval of the proposed annual caps in relation to the Yan Hua IOT Agreement and the PMM Sales Framework Agreement;

"Circular"	the circular to be despatched to the Shareholders containing, among other things, (i) details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver; (iii) the letter of advice from Somerley to the Independent Board Committee and the Independent Shareholders in the same regard; (iv) the financial information of the Group and the Target Group; and (v) the notice of the EGM;
"CITIC"	CITIC Medical & Health Group Co., Ltd, a company incorporated in the PRC with limited liability;
"CITIC Acquisition"	the Company's proposed acquisition of certain hospital assets from CITIC as disclosed in the announcement of the Company dated 3 May 2016;
"CITIC Consideration Shares"	the 130,571,029 Shares (subject to adjustment) to be issued as consideration for the CITIC Acquisition;
"CITIC Term Sheet"	the term sheet entered into among the Company, the Purchaser and CITIC in relation to the CITIC Acquisition dated 29 April 2016;
"Company"	Phoenix Healthcare Group Co. Ltd, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange (stock code: 01515);
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement;
"Completion Date"	the date falling ten Business Days after the day on which the last of the Conditions has been satisfied or (if applicable) waived or such other date as the Purchaser and the Seller may agree in writing;
"Conditions"	the conditions to Completion as set out in the Sale and Purchase Agreement;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Consideration"	HK$3,721,824,669, being the consideration for the Sale Shares;
"Consideration Shares"	462,913,516 new Shares to be allotted and issued by the Company to the Seller (or its wholly-owned subsidiary as the Seller may nominate) pursuant to the Sale and Purchase Agreement, which shall be adjusted accordingly in the event that the Shares are traded ex-rights and ex-dividends;
"Consultancy Services Contract(s)"	the consultancy services contracts the Target Group entered into with Xukuang Hospital, Huaikuang Hospital Group and Brain Hospital respectively;

"controlling shareholder"	has the meaning given to it under the Listing Rules;
"CR Health Technology"	China Resources Health Technology (Beijing) Co., Ltd.* (華潤健康科技(北京)有限公司), a company incorporated in the PRC with limited liability;
"CR Holdings"	China Resources (Holdings) Company Limited (華潤(集團)有限公司), a company incorporated in Hong Kong with limited liability and the indirect holding company of the Seller;
"CR Hospital Holding"	China Resources Hospital Holding Company* (華潤醫院控股有限公司), a company incorporated in the PRC with limited liability and a wholly-owned indirect subsidiary of the Target Company;
"CR Hospital Investment"	China Resources Hospital Investment (China) Co., Ltd.* (華潤醫院投資(中國)有限公司), a company incorporated in the PRC with limited liability and a wholly-owned indirect subsidiary of the Target Company;
"CR Wugang"	China Resources Wugang (Hubei) Hospital Management Co., Ltd.* (華潤武鋼(湖北)醫院管理有限公司), a company incorporated in the PRC with limited liability;
"Directors"	the directors of the Company;
"EGM"	the extraordinary general meeting of the Company to be held for the purpose of considering and, if thought fit, approving, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder, the Specific Mandate, the increase in authorised share capital and the Whitewash Waiver;
"Enlarged Group"	the Group and the Target Group;
"Executive"	the Executive Director of the Corporate Finance Division of the SFC from time to time or any delegate of such Executive Director;
"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;
"Huaikuang Hospital Group"	Huaibei Miner General Hospital Group* (淮北礦工總醫院集團);
"Independent Board Committee"	the independent board committee of the Board comprising all the independent non-executive Directors established pursuant to the Listing Rules and the Takeovers Code to give recommendation to the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver;

"Independent Financial Adviser" or "Somerley"	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the Whitewash Waiver;
"Independent Shareholders"	the Shareholders, other than those who are involved or interested in the CCT Renewals, the Acquisition and/or the Whitewash Waiver;
"Issue Price"	the per share price of HK$8.04 for the issue of each Consideration Share, which shall be adjusted accordingly in the event that the Shares are traded ex-rights and ex-dividends;
"Last Trading Day"	29 August 2016, being the last full 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"	31 December 2016 or such other date as the Purchaser and the Seller may agree in writing;
"Million Ease"	Million Ease Limited, a company incorporated in the British Virgin Islands with limited liability;
"PMM Sales Framework Agreement"	the pharmaceutical, medical device and medical consumables sales framework agreement dated November 6, 2013 entered into between the Company (through its subsidiaries) and Yan Hua Hospital Group;
"PRC"	the People's Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"Purchaser"	Pinyu Limited, a limited liability company wholly-owned by the Company incorporated in the British Virgin Islands;
"Reorganization"	the reorganization in relation to the Target Group for the purpose of the Acquisition, the details of which are set out in the section headed "Reorganization" of this announcement;
"RMB"	Renminbi, being the lawful currency of the PRC;
"Sale and Purchase Agreement"	the share sale and purchase agreement dated 30 August 2016 entered into between the Company, the Purchaser and the Seller in respect of the Acquisition;

"Sale Shares"	50,000 issued shares of US$1.00 each in the Target Company, which represent the entire issued share capital of the Target Company;
"Seller"	China Resources Healthcare Group Limited, a limited liability company incorporated under the laws of Hong Kong;
"SFC"	the Securities and Futures Commission of Hong Kong;
"Shareholders"	holders of the Shares;
"Shares"	ordinary shares of HK$0.00025 each in the share capital of the Company;
"Shenzhen Yukangrun"	Shenzhen Yukangrun Hospital Management Co., Ltd*(深圳市裕康潤醫院管理有限公司), a company incorporated in the PRC with limited liability and a member of the Target Group;
"Specific Mandate"	the specific mandate to be sought from the Independent Shareholders for the allotment and issue of the Consideration Shares;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Subject Institutions"	Xukuang Hospital, Huaikuang Hospital Group, Brain Hospital, 999 Clinic and Wugang Hospital Group;
"subsidiary"	has the meaning given to it under the Listing Rules;
"Supplemental Term Sheet"	the supplemental term sheet entered into among the Company, the Purchaser and the Seller in relation to the Acquisition dated 29 April 2016;
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers;
"Target Company"	Ample Mighty Limited, a wholly-owned subsidiary of the Seller incorporated in the British Virgin Islands;
"Target Group"	the Target Company and its subsidiaries;
"Term Sheet"	the term sheet entered into among the Company, the Purchaser and the Seller in relation to the Acquisition dated 8 April 2016;
"VMS Securities"	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 CCT 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;

"Whitewash Waiver"	the whitewash waiver as may be granted by the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code from the obligation of the Seller to make a mandatory general offer for all the issued Shares other than those already owned or agreed to be acquired by the Seller and parties acting in concert with it as a result of the Company allotting and issuing the Consideration Shares;
"Wugang General Hospital"	China Resources Wugang General Hospital* (華潤武鋼總醫院);
"Wugang Group"	Wuhan Iron and Steel (Group) Corporation* (武漢鋼鐵(集團)公司);
"Wugang Hospital Group"	the hospital group comprising Wugang General Hospital, Wugang No. 2 Hospital and their subsidiary institutions;
"Wugang No. 2 Hospital"	Wuhan Iron and Steel (Group) Corporation No. 2 Staff Hospital* (武漢鋼鐵(集團)公司第二職工醫院);
"Xukuang Hospital"	Xuzhou Mining Hospital* (徐州市礦山醫院);
"Yan Hua Hospital Group"	collectively, Yan Hua Hospital (北京燕化醫院) 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 United Hospital Management Consulting Co. Ltd. (北京鳳凰聯合醫院管理諮詢有限公司), Yan Hua Hospital Group and 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); and
"999 Clinic"	999 Medical Clinic (Shenzhen) Co., Ltd.* (三九醫療門診部(深圳)有限責任公司), also known as 三九門診部.

* *For identification purpose only*

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

Hong Kong, 30 August 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 (other than that relating to the Target Group, the Seller and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the directors of the Seller) 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.

As at the date of this announcement, the board of directors of the Seller comprises Mr. WANG Dekun, Mr. HE Xuan, Ms. WEN Quan and Ms. WENG Jingwen. The directors of the Seller jointly and severally accept full responsibility for the accuracy of the information contained in this announcement relating to the Target Group, the Seller and parties acting in concert with it and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than those expressed by the Directors) 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.

APPENDIX

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE TARGET GROUP

A. BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE TARGET GROUP

The unaudited pro forma financial information presented below is prepared to illustrate the results of the Target Group as if the conditions precedent set out below for the Target Group to achieve before the completion of the Acquisition as stated in the Sale and Purchase Agreement had been satisfied on 1 January 2015:

(a) The transfer of the employees not related to hospital operation division out of the Target Group and termination of two leases of the Target Group's office premises in Beijing and Shenzhen;

(b) Disposal of Million Ease;

(c) Disposal of CR Health Technology;

(d) The capitalisation of the Seller's loans in the total amount of approximately RMB1,109,633,000;

(e) Entering of the Consultancy Services Contracts; and

(f) Transfer of certain assets of CR Wugang used for the operation of Wugang Hospital Group to Wugang Hospital Group.

The unaudited pro forma financial information has been prepared for illustrative purposes only and because of its hypothetical nature, it does not purport to represent what the Target Group would have been upon fulfilment of the conditions precedent for completion of the Acquisition, for any future periods or on any future dates.

The unaudited pro forma financial information is prepared based on the audited consolidated financial information of the Target Group, after giving effect to the pro forma adjustments described in the accompanying notes which relate to the conditions precedent for the Target Group to achieve before the completion of the Acquisition and which are directly attributable to the Acquisition and factually supportable, and is prepared in accordance with Rules 4.29 of the Listing Rules.

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE TARGET GROUP

B.1 FOR THE YEAR ENDED 31 DECEMBER 2015

	The Target Group for the year ended 31 December 2015				Unaudited pro forma adjustments					Unaudited pro forma for the Target Group for the year ended 31 December 2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)									(Unaudited)
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6(a)*	*Note 6(b)*	*Note 7*	*Note 8*	
Revenue	12,166	–	–	(273)	–	(1,486)	127,932	–	–	138,339
Cost of sales and services	(17,836)	–	–	39	–	–	–	–	–	(17,797)
Gross profit	(5,670)	–	–	(234)	–	(1,486)	127,932	–	–	120,542
Other income	31,181	–	(26,423)	(1)	–	–	–	–	–	4,757
Other gains and losses	(15,399)	–	990	(37)	15,137	–	–	–	–	691
Administrative expenses	(68,211)	44,662	5,996	1,315	–	–	–	–	–	(16,238)
Finance costs	(17,470)	–	–	–	17,470	–	–	–	–	–
Other expenses	(31,611)	–	31,606	–	–	–	–	–	–	(5)
Share of loss of a joint venture	(6,580)	–	–	–	–	–	–	5,001	–	(1,579)
(Loss)/profit before tax	(113,760)	44,662	12,169	1,043	32,607	(1,486)	127,932	5,001	–	108,168
Income tax (credit) expense	1,430	–	(2,289)	–	–	–	–	–	28,451	27,592
(Loss)/profit and total comprehensive (expenses)/income for the year	(115,190)	44,662	14,458	1,043	32,607	(1,486)	127,932	5,001	(28,451)	80,576
(Loss)/profit and total comprehensive (expenses)/income for the year attributable to:										
Equity holders of the Company	(110,617)	44,662	9,885	1,043	32,607	(1,486)	127,932	5,001	(28,451)	80,576
Non-controlling interests	(4,573)	–	4,573	–	–	–	–	–	–	–
	(115,190)	44,662	14,458	1,043	32,607	(1,486)	127,932	5,001	(28,451)	80,576

B.2 FOR THE FIVE MONTHS ENDED 31 MAY 2016

	The Target Group for the five months ended 31 May 2016	Unaudited pro forma adjustments						Unaudited pro forma for the Target Group for the five months ended 31 May 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)							(Unaudited)
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	*Note 6(b)*	*Note 8*	
Revenue	18,336	–	(847)	(18)	–	50,914	–	68,385
Cost of sales and services	(5,194)	–	800	–	–	–	–	(4,394)
Gross profit	13,142	–	(47)	(18)	–	50,914	–	63,991
Other income	2,763	–	(1,270)	(2)	–	–	–	1,491
Other gains and losses, net	2,169	–	(985)	(9)	100	–	–	1,275
Administrative expenses	(22,011)	12,700	1,401	222	–	–	–	(7,688)
Finance costs	(9,963)	–	–	–	9,920	–	–	(43)
Other expenses	(13,935)	–	13,869	–	–	–	–	(66)
Share of profit of a joint venture	2,206	–	–	–	–	–	–	2,206
(Loss)/profit before tax	(25,629)	12,700	12,968	193	10,020	50,914	–	61,166
Income tax (credit) expense	(35,277)	–	(117)	–	–	–	50,123	14,729
Profit and total comprehensive income for the period	**9,648**	**12,700**	**13,085**	**193**	**10,020**	**50,914**	**(50,123)**	**46,437**
Profit and total comprehensive income for the period attributable to:								
Equity holders of the Company	14,432	12,700	8,301	193	10,020	50,914	(50,123)	46,437
Non-controlling interests	(4,784)	–	4,784	–	–	–	–	–
	9,648	**12,700**	**13,085**	**193**	**10,020**	**50,914**	**(50,123)**	**46,437**

C. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. The amounts are extracted from the audited financial statements of the Target Group prepared in accordance with International Financial Reporting Standards (the "IFRSs") for the year ended 31 December 2015 and the five months ended 31 May 2016. In the preparation of the audited financial statements for the year ended 31 December 2015 and the five months ended 31 May 2016, the Target Group has adopted all the IFRSs which are effective for the financial periods beginning on 1 January 2016 consistently.

2. Pursuant to the Sale and Purchase Agreement, the Target Group will transfer the employees not related to hospital operation division out of the Target Group and terminate two leases of the Target Group's office premises in Beijing and Shenzhen before the completion of the Acquisition. The adjustment represents the staff cost of those employees not related to hospital operation division, the rental expenses of office premises in Beijing and Shenzhen and the related expenses for the year ended 31 December 2015 and for the five months ended 31 May 2016.

3. On 31 May 2016, the Target Group disposed of its equity interests in Million Ease and its subsidiaries to CR Healthcare at a consideration of USD1. Had the disposal of equity interests in these subsidiaries been completed on 1 January 2015, the actual loss incurred by these subsidiaries for the year ended 31 December 2015 and the five months ended 31 May 2016 amounting RMB14,458,000 and RMB13,085,000, respectively would not be consolidated. Gain on disposal is not adjusted in the unaudited pro forma financial information as it is credited to reserves as deemed contribution from shareholders.

4. Pursuant to the shareholder resolution and the equity transfer agreement on 11 April 2016, the Target Group committed to dispose of its 100% equity interest of CR Health Technology. Had the disposal of 100% equity interest of CR Health Technology been completed on 1 January 2015, the actual loss incurred by CR Health Technology for the year ended 31 December 2015 and the five months ended 31 May 2016 amounting RMB1,043,000 and RMB193,000, respectively would not be consolidated. Gain on disposal is not adjusted in the unaudited pro forma financial information as it is credited to reserves as deemed contribution from shareholders.

5. The Target Group had certain amounts due to the intermediate holding company. On 31 May 2016, a total amount of RMB1,109,633,000 was capitalised as the share capital and share premium of Ample Mighty. Had the capitalization of the then outstanding amounts due to the intermediate holding company been completed on 1 January 2015, interest expenses of RMB17,470,000 and exchange losses of RMB15,137,000 would not be incurred for the year ended 31 December 2015, and interest expenses of RMB9,920,000 and exchange losses of RMB100,000 would not be incurred for the five months ended 31 May 2016.

6. Consultancy Services Contracts

   (a) CR Hospital Investment, a subsidiary of the Target Group, entered into a management service contract with Xukuang Hospital in September 2015 which took effect from 1 January 2015. CR Hospital Investment recognised certain management service income during the year ended 31 December 2015.

       Subsequently, CR Hospital Investment and Xukuang Hospital agreed to abolish the management service contract mentioned above, and entered into another consultancy service contract which took effect from December 2015.

       Had the new consultancy services contract taken effect on 1 January 2015 and replaced the previously management service contract, revenue derived from the consultancy services would be reduced by RMB1,486,000 for the year ended 31 December 2015.

   (b) CR Hospital Investment entered into a consultancy service contract with each of Huaikuang Hospital Group and Brain Hospital, which took effect from 1 May 2016.

       Had these consultancy service contracts been taken effect on 1 January 2015, consultancy service income from these two hospitals would be recognised in an amount of RMB127,932,000 for the year ended 31 December 2015 and in an amount of RMB50,914,000 for the period from January to April 2016. This is calculated based on the pre-set formulas in the contacts and the revenue in the audited PRC financial statements/management accounts of these two hospitals for the year ended 31 December 2015 and the five months ended 31 May 2016.

   (c) In order to enter into the consultancy service contracts with Huaikuang Hospital Group and Brain Hospital, the Target Group had provided the relevant hospital operation services to these two hospitals in 2015. Thus, the cost had been incurred before the existence of the consultancy service contracts. As the costs of providing consulting services to the above three hospitals for the year ended 31 December 2015 and the five months ended 31 May 2016 have already been recorded in the consolidated statements of profit and loss and other comprehensive income of the Target Group, no further adjustment to costs is required.

7. CR Wugang, a 51% owned joint venture of the Target Group, disposed part of its assets, namely, net assets of Wugang Hospitals in January 2016. Had the net assets of Wugang Hospitals been disposed on 1 January 2015, the actual depreciation of RMB9,806,000 would be reduced and the share of loss of a joint venture would be reduced by RMB5,001,000 (being 51% of RMB9,806,000) for the year ended 31 December 2015.

8. For the purpose of the unaudited pro forma financial information, after consideration of the pro forma adjustments as stated in notes 2 to 7 above, and based on the PRC Enterprise Income Tax rate of 25%, tax provision amounting to RMB28,451,000 for the year ended 31 December 2015 and RMB50,123,000 for the five months ended 31 May 2016 are adjusted in the unaudited pro forma financial information.

D. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE TARGET GROUP

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德勤

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Phoenix Healthcare Group Co. Ltd

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Ample Mighty Limited ("Ample Mighty"), together with its subsidiaries (collectively referred to as the "Target Group") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2015 and the five months ended 31 May 2016 and related notes (collectively the "Unaudited Pro Form Financial Information") as set out on pages 29 to 32 of the announcement issued by the Company dated 30 August 2016 (the "Announcement"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in the Appendix on pages 28 of the Announcement.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact on the Target Group's financial performance for the year ended 31 December 2015 and the five months ended 31 May 2016, as if the conditions precedent for the Target Group to achieve before the completion of the Acquisition had been satisfied on 1 January 2015. As part of this process, information about the Target Group's financial performance has been extracted by the Directors from the Target Group's audited consolidated financial statements for the year ended 31 December 2015 and the five months ended 31 May 2016.

The Unaudited Pro Forma Financial Information is also regarded as a profit forecast under Rule 10 of the Code on Takeovers and Mergers issued by the Securities and Future Commission (the "Takeover Code").

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as the relevant requirements under Rule 10 of the Takeover Code.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules on the Unaudited Pro Forma Financial Information and to report our opinion to you. We are also required to report to you on the accounting policies and calculations of the Unaudited Pro Forma Financial Information under Rule 10 of the Takeover Code. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Unaudited Pro Forma Financial Information Included in a Prospectus" ("HKSAE 3420") and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audit or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA and whether, so far as the accounting policies and calculations are concerned, the Directors have properly compiled the Unaudited Pro Forma Financial Information on the basis of preparation as described in the Appendix to the Announcement.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Target Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 1 January 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Target Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

In connection with reporting under paragraph 4.29(7) of the Listing Rules:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Target Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

In connection with reporting under Rule 10 of the Takeover Code, so far as the accounting policies and calculations are concerned, the Unaudited Pro Forma Financial Information has been properly compiled in accordance with the basis adopted by the Directors as stated in the Appendix to the Announcement.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 August 2016