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PHOENIX
HEALTHCARE
GROUP
鳳凰醫療集團

Phoenix Healthcare Group Co. Ltd

鳳凰醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1515)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2015**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	Notes	Six months ended June 30,	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue	5	602,265	506,966
Cost of sales and services		(460,711)	(387,617)
Gross profit		141,554	119,349
Other income		49,576	39,686
Other losses		(1,571)	(2,675)
Selling and distribution expenses		(8,222)	(5,181)
Administrative expenses		(43,050)	(34,518)
Finance costs		—	(944)
Other expenses		(231)	(342)
Profit before tax		138,056	115,375
Income tax expense	7	(33,838)	(30,272)
Profit and total comprehensive income for the period	8	104,218	85,103
Profit and total comprehensive income for the period attributable to:			
Equity holders of the Company		101,626	82,384
Non-controlling interests		2,592	2,719
		104,218	85,103
Earnings per share			
— basic (RMB yuan per share)	9	0.12	0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000 (Audited)
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Non-current assets			
Property, plant and equipment		136,234	138,292
Intangible assets		352,091	360,030
Receivables from invest-operate-transfer (“IOT”) hospitals		70,887	68,994
Lease prepayments for land use right		148,782	150,448
Deferred tax assets		350	1,346
		<hr/> 708,344	<hr/> 719,110
<hr/>			
Current assets			
Inventories		39,463	33,832
Trade receivables	<i>11</i>	70,987	93,735
Prepayments and other receivables		63,383	24,528
Amounts due from a related party		58,208	67,838
Short-term investments		353,100	77,300
Certificate of deposit		82,549	384,027
Cash and cash equivalents		676,606	611,536
		<hr/> 1,344,296	<hr/> 1,292,796
<hr/>			
Current liabilities			
Trade payables	<i>12</i>	161,873	171,874
Other payables		39,926	58,606
Tax payables		26,454	42,955
		<hr/> 228,253	<hr/> 273,435
<hr/>			
Net current assets		1,116,043	1,019,361
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Total assets less current liabilities		1,824,387	1,738,471
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Non-current liabilities			
Retirement benefit obligations		2,172	3,227
		<hr/> 2,172	<hr/> 3,227
<hr/>			
Net assets		1,822,215	1,735,244
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	June 30, 2015	December 31, 2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Capital and reserves		
Capital	166	166
Share premium	1,464,911	1,497,815
Reserves	246,414	129,131
Equity attributable to equity holders of the Company	1,711,491	1,627,112
Non-controlling interests	110,724	108,132
Total equity	1,822,215	1,735,244

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2015

1. General Information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on February 28, 2013. Its shares have been listed on the Main Board of the Stock Exchange from November 29, 2013. The registered office of the Company is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands, and its principal place of business is located at Beijing, the PRC. The Company is an investment holding company.

The Group is mainly engaged in the provision of general hospital services, provision of hospital management services, and supply chain business in Beijing, the PRC.

This unaudited consolidated interim financial statements are presented in RMB, which is the same as the functional currency of the Group.

These consolidated interim financial statements are unaudited and were approved by the Board on August 10, 2015.

2. Basis of Preparation

These consolidated interim financial statements for the six months ended June 30, 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting and the applicable disclosure requirements of the Listing Rules. The consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2014, which have been prepared in accordance with IFRSs.

The accounting policies used in preparation of these consolidated interim financial statements are consistent with those adopted by the Group's consolidated annual financial statements for the year ended December 31, 2014, except for adoption of the new and revised IFRSs which are effective for the first time for the current interim accounting period.

The Group meets its day-to-day working capital requirements through its bank facilities. After making enquires, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated interim financial statements.

3. Application of a New Interpretation and Amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new amendments to IFRSs.

Amendments to IFRS 2	Definition of "vesting condition"
Amendments to IFRS 3	Accounting for contingent consideration in a business combination
	Scope of exception for joint ventures
Amendments to IFRS 8	Aggregation of operating segments
	Reconciliation of the total of the reportable segments' assets to the entity's assets
Amendments to IFRS 13	Short-term receivables and payable
	Scope of paragraph 52 (portfolio exception)
Amendments to IAS 16	Revaluation method — proportionate restatement of accumulated depreciation
Amendments to IAS 19	Employee Contributions
Amendments to IAS 24	Key management personnel
Amendments to IAS 38	Revaluation method — proportionate restatement of accumulated amortization
Amendments to IAS 40	Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property

The application of the above new amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these consolidated interim financial statements and/or disclosure set out in these consolidated interim financial statements.

4. Financial Instruments and Financial Risk Management

Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk, such as currency risk and interest rate, credit risk and liquidity risk.

The consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2014.

There have been no changes in the risk management objectives and policies since the year end.

5. Revenue

Revenue represents income from general hospital services, hospital management services, and sale of pharmaceuticals, medical devices and medical consumables, and ancillary services under the supply chain business.

An analysis of the Group's revenue for the current interim period is as follows:

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
General hospital services	258,604	247,289
Hospital management services	29,219	16,743
Supply chain business	314,442	242,934
	602,265	506,966

6. Segment Information

The Board of Directors is identified as the chief operating decision maker (the "CODM") of the Group for the purposes of resources allocation and performance assessment. The CODM reviews operating results and financial information on a company by company basis. This is also the basis upon which the Group is organized. Accordingly, each company is identified as an operating segment. When the group companies are operating in similar business model with similar target group of customers, and under the same regulatory environment, the Group's operating segments are aggregated and the Group's operating and reportable segments for segment reporting purpose are as follows:

(i) *General hospital services*

Revenue from this segment is derived from hospital services provided at Jian Gong Hospital and from premium healthcare services provided to high-end patients at Beijing Easylife.

(ii) *Hospital management services*

The Group provides comprehensive management services to hospitals under IOT agreements and receives from each IOT hospital an annual fee.

(iii) *Supply chain business*

The Group derives revenue from sales of pharmaceuticals, medical devices and medical consumables, and ancillary services to Jian Gong Hospital, the IOT hospitals and clinics and external customers.

6. Segment Information (Continued)

Segment information about the Group's reportable segment is presented below.

Segment revenue, results, assets and liabilities

	General hospital services <i>RMB'000</i>	Hospital management services <i>RMB'000</i>	Supply chain business <i>RMB'000</i>	Total <i>RMB'000</i>
For the six months ended June 30, 2015				
(Unaudited)				
External revenues	258,604	29,219	314,442	602,265
Inter-segment revenue	—	—	86,614	86,614
Segment revenue	258,604	29,219	401,056	688,879
Eliminations				(86,614)
Consolidated revenue				602,265
Segment results	18,140	15,105	94,659	127,904
Unallocated foreign exchange loss				(1,527)
Other unallocated income and expense				11,679
Profit before tax				138,056
As at June 30, 2015 (Unaudited)				
Segment assets	625,921	1,202,049	316,245	2,144,215
Unallocated bank balances and certificate of deposit				86,264
Other unallocated assets				341,300
Elimination of inter-segment receivables				(519,139)
Consolidated assets				2,052,640
Segment liabilities	69,258	471,450	193,354	734,062
Other unallocated liabilities				15,502
Elimination of inter-segment payables				(519,139)
Consolidated liabilities				230,425
Other segment information				
<i>Amounts included in the measure of segment results or segment assets:</i>				
Addition to non-current assets (Note)	6,787	2,514	31	9,332
Depreciation and amortization	12,408	8,322	289	21,019
Loss on disposal of property, plant and equipment, net	3	—	—	3
Interest and investment income	(2,503)	(19,865)	(1,399)	(23,767)
<i>Amounts regularly provided to the CODM but not included in the measure of segment results:</i>				
Foreign exchange loss	N/A	N/A	N/A	1,527
Income tax expense	4,535	5,607	23,696	33,838

Note: Non-current assets consist of property, plant and equipment, and intangible assets.

6. Segment Information (Continued)

Segment revenue, results, assets and liabilities (Continued)

	General hospital services RMB'000	Hospital management services RMB'000	Supply chain business RMB'000	Total RMB'000
For the six months ended June 30, 2014 (Unaudited)				
External revenues	247,289	16,743	242,934	506,966
Inter-segment revenue	—	—	67,529	67,529
Segment revenue	247,289	16,743	310,463	574,495
Eliminations				(67,529)
Consolidated revenue				506,966
Segment results	19,650	12,504	83,356	115,510
Unallocated finance cost				(944)
Unallocated foreign exchange loss				(2,640)
Other unallocated income and expense				3,449
Profit before tax				115,375
As at June 30, 2014 (Unaudited)				
Segment assets	614,529	980,924	299,635	1,895,088
Unallocated bank balances and certificate of deposit				370,080
Other unallocated assets				277,858
Elimination of inter-segment receivables				(479,349)
Consolidated assets				2,063,677
Segment liabilities	104,377	443,609	179,495	727,481
Other unallocated liabilities				14,587
Elimination of inter-segment payables				(479,349)
Consolidated liabilities				262,719
Other segment information				
<i>Amounts included in the measure of segment results or segment assets:</i>				
Addition to non-current assets (Note)	6,526	7,940	647	15,113
Depreciation and amortization	11,421	7,514	227	19,162
Loss on disposal of property, plant and equipment,	21	—	—	21
Interest and investment income	(1,599)	(11,523)	(2,088)	(15,210)
<i>Amounts regularly provided to the CODM but not included in the measure of segment results:</i>				
Unallocated finance cost	N/A	N/A	N/A	944
Foreign exchange loss	N/A	N/A	N/A	2,640
Income tax expense	5,531	4,004	20,737	30,272

Note: Non-current assets consist of property, plant and equipment, and intangible assets.

6. Segment Information (Continued)

Segment revenue, results, assets and liabilities (Continued)

Segment revenue reported above represents revenue generated from both external and inter-segment customers. During the year, the inter-segment transactions are charged at regulated price for the sales of pharmaceutical, medical devices and consumables.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2. Segment results represent the profit before tax earned by each segment, without allocation of certain finance cost, foreign exchange loss and corporate expenses not directly related to the respective segment, which represents the internally generated financial information regularly reviewed by the CODM. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than assets of the Company and overseas subsidiaries and all liabilities are allocated to operating segments other than liabilities of Company and overseas subsidiaries and borrowings.

Income tax expenses have been allocated among the segments as additional information regularly provided to the management but not included in the measure of segment result while the relevant tax payables have been allocated into the segment liabilities.

Geographical information

No geographical information is presented as all of the Group's revenue is derived from activities in the PRC, and all of the Group's operations and non-current assets are located in the PRC.

Information about major customers

Revenue from the customers, including revenue from hospital management services and supply chain business, contributing over 10% of the total revenue of the Group during the current interim period is as follows:

	Six months ended June 30,	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Yan Hua Hospital	127,224	96,767
Jing Mei Hospital	129,225	92,388

7. Income Tax Expense

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax. The PRC enterprise income tax has been provided at the rate of approximately 25% which is the prevailing rate of the enterprise income tax in the PRC during the current interim period.

	Six months ended June 30,	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Current tax:		
PRC enterprise income tax ("EIT")	32,842	30,190
Deferred tax	996	82
Total income tax recognised in profit or loss	33,838	30,272

8. Profit for the Period

The Group's profit for the current interim period has been arrived at after charging:

	Six months ended June 30,	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	11,391	10,273
Amortisation of lease prepayments for land use right	1,688	1,710
Amortisation of intangible assets (Included in cost of sales and services)	7,940	7,179
Total depreciation and amortization	21,019	19,162
Cost of inventories recognised as expense	387,816	323,768
Operating lease rentals in respect of rented premises	1,938	1,171
Directors' emoluments	3,390	3,357
Share-based payments		
Directors	432	—
Others	2,249	—
Other staff cost		
Salaries and other allowances	68,009	58,285
Retirement benefit contributions	5,310	3,252
Total staff costs	79,390	64,894
Auditor's remuneration	1,400	1,250

9. Earnings per Share

The calculation of the basic earnings per share attributable to the equity holders of the Group is based on the following data:

	Six months ended June 30,	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Earnings		
Profit for the purpose of basic and diluted earnings per share for the year attributable to equity holders of the Company	101,626	82,384
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	817,569	833,763

The calculation of the basic earnings per share is based on the consolidated profit of the Group attributable to equity holders of the Company for the six months ended June 30, 2015 and 2014 and weighted average number of 817,569,000 shares and 833,763,000 shares of the Company for the six months ended June 30, 2015 and 2014 respectively.

10. Dividends

On May 13, 2015, the Board proposed a final dividend in respect of the year ended December 31, 2014 of HK\$41,688,150, representing HK\$5 cents per Share. The final dividend was paid on July 2, 2015.

The Board of Directors do not recommend the payment of an interim dividend.

11. Trade Receivables

The Group allows a credit period of approximately 60 days for the general hospital service to the patients which is due from medical insurance programs, 60 days to 120 days for the sales of pharmaceutical, medical devices and consumables to the IOT hospitals and clinics, and 90 days to 180 days for the hospital management services to the IOT Hospitals after issuing the invoice. The following is an aged analysis of trade receivables presented based on the invoice date.

	As at	
	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000 (Audited)
Unbilled or within 60 days	55,314	85,715
61 to 180 days	1,732	4,026
181 days to 1 year	13,941	3,994
	70,987	93,735

Trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date that credit were initially granted up to the end of each reporting period.

12. Trade Payables

Trade payables are non-interest bearing and are normally granted on a credit term of 0 to 90 days. An aged analysis of the Group's trade payables, as at the end of the current interim period, based on the date of delivering of goods, is as follows:

	As at	
	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000 (Audited)
Within 60 days	140,117	149,916
61–180 days	21,333	21,039
181 days–1 year	—	919
1–3 years	423	—
	161,873	171,874

13. Related Party Transactions

(a) *Names and relationships*

Names and relationships with related parties are as follows:

Name	Relationship
Yan Hua Hospital	Entity controlled by a shareholder with significant influence over the Company
Speed Key Limited (Note)	Shareholder of the Company

Note: Speed Key Limited is wholly owned by Xu Baorui, the father of Xu Jie.

(b) *Related party balances*

At June 30, 2015, other than the transactions with Yan Hua Hospital and receivables from Yan Hua Hospital under IOT arrangements, the Group had the following balances with related parties:

Amounts due from a related party

Trade in nature	As at	
	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000 (Audited)
Yan Hua Hospital	58,208	67,838

The Group allows a credit period of 60 days to 120 days for supply chain business and 90 days to 180 days for the hospital management service.

The following is an aged analysis of amount due from a related party which is trade in nature based on the invoice date:

	As at	
	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000 (Audited)
Within 60 days	32,494	60,771
61–180 days	25,711	7,067
	58,205	67,838

As at June 30, 2015, the Group did not have amount due from a related party which was past due.

14. Event after the Reporting Period

On July 13, 2015, the Company, True Point and Pinyu entered into a share purchase agreement pursuant to which Pinyu has agreed to acquire, and True Point has agreed to sell, 20% equity interests in UMP Healthcare Holdings at a consideration of HK\$180 million, completion of which took place on July 16, 2015. Concurrently with the execution of the aforesaid share purchase agreement, the Company, through Pinyu, formed a joint venture company with UMP China for the purposes of expanding into the primary care segment of the healthcare industry in China.

For further details of the acquisition of equity interests in UMP Healthcare Holdings and the formation of the joint venture with UMP China, please refer to the announcement of the Company dated July 13, 2015.

On July 29, 2015, the Group invested a total of RMB100.0 million in Airport Hospital of Shunyi District and Shunyi District No. 2 Hospital pursuant to the agreement entered into between the Group and the People's Government of Shunyi District on May 28, 2015.

For further details of the agreement between the Group and the People's Government of Shunyi District, please refer to the announcement of the Company dated May 28, 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview and Outlook

In the midst of healthcare reform in China, the Group not only continues to improve and standardize the way its healthcare services are delivered to the general public, but also strives to capitalize on the opportunities arising from healthcare reform to expand its network of hospitals and clinics. During the Review Period, the Group's in-network hospitals and clinics have received approximately 1.9 million patients. There were certain new changes to help the Group enhance and expand its healthcare services during the period:

- Recruitment of new talents, introduction of advanced equipment, further standardization of policies and procedures to increase healthcare efficiency and quality, thus reduce costs
- Pursuant to the Syndicated Loan Agreement, the Group was granted a facility in an aggregate sum of US\$150.0 million for expansion and capital expenditure of the Group's network of hospitals and clinics.
- Pursuant to an agreement dated May 28, 2015 entered into between the Company and the People's Government of Shunyi District, Beijing ("Shunyi District Government"), the Group and Shunyi District Government will establish a healthcare service system comprising preliminary diagnosis, comprehensive medical care and rehabilitation in the Shunyi District through the ROT (Restructure-Operate-Transfer) model. To start with, the Group has invested working capital of RMB100.0 million to two pilot medical institutions namely Airport Hospital of Shunyi District, Shunyi District No. 2 Hospital and their related primary healthcare institutions for reconstruction and expansion of facilities, recruiting professionals, building clinical laboratories, purchasing medical equipment and improving clinical environment on July 29, 2015. The Group will receive an annual repayment of RMB5.0 million and management fees from these hospitals for 20 years from 2016 to 2035

Through cooperation with Chinese government and state-owned enterprises, the Group will strive to address the healthcare needs for the communities it serves and support the healthcare reform of China by offering better and innovative healthcare solutions. The Group is confident on the business performance in 2015 and the development prospects years ahead.

Financial Review

The Group recorded revenue of RMB602.3 million during the Review Period, representing an increase of 18.8% from the same period in 2014. There was an increase of revenue contribution from both hospital management services segment and supply chain business segment. While the gross profit margin of the hospital management services segment continued to improve, the gross profit margins of the general hospital services segment and the supply chain business segment declined. As a result, the Group's overall gross profit margin remained stable at 20.6% during the Review Period (six months ended June 30, 2014: 20.8%). The net profit attributable to shareholders increased to RMB101.6 million during the Review Period, representing a significant increase of 23.4% from the same period in 2014.

Segment Revenue

We derive revenue from our in-network hospitals and clinics through three sources: (i) general hospital services provided at Jian Gong Hospital and Beijing EasyLife, (ii) hospital management services where we manage and collect management fees from our IOT hospitals and clinics, and (iii) supply chain business where we primarily supply pharmaceuticals, medical devices and medical consumables, and ancillary services mainly to our in-network hospitals and clinics.

General hospital services

Revenue from our general hospital services segment is derived from Jian Gong Hospital and from premium healthcare services offered under Phoenix VIP services at Beijing Easylife. General hospital services revenue consists of primarily fees generated from the provision of outpatient and inpatient services, including fees for healthcare services, pharmaceuticals and medical devices and medical consumables. The following table sets out the revenue, cost of sales and services and gross profit contributed by our general hospital services segment during the periods indicated:

	Six months ended June 30,	
	2015	2014
	(RMB'000)	(RMB'000)
Revenue	258,604	247,289
Cost of sales and services	(220,878)	(205,526)
Gross profit	37,726	41,763

Revenue from our general hospital services segment reached RMB258.6 million, representing an increase of 4.6% from the same period in 2014 and accounted for 42.9% of our total revenue during the Review Period. The increase in revenue was primarily attributable to the growth of patient visits, particularly out-patient visits. Jian Gong Hospital witnessed an increase in patient visits to approximately 361,900 (six months ended June 30, 2014: approximately 341,900), comprising of approximately 356,300 outpatient visits (six months ended June 30, 2014: approximately 336,300) and 5,600 inpatient visits (six months ended June 30, 2014: approximately 5,500). The average spending per outpatient visit remained stable at approximately RMB440 (six months ended June 30, 2014: approximately RMB443), while the average spending per inpatient visit increased mildly to approximately RMB17,893 (six months ended June 30, 2014: approximately RMB17,521).

The cost of sales and services of our general hospital services represents primarily costs of provision of healthcare services at Jian Gong Hospital, including costs of pharmaceuticals, medical devices and medical consumables, staff costs, and depreciation and amortization expenses.

During the Review Period, the cost of sales and services of our general hospital services segment increased to RMB220.9 million, representing an increase of 7.5% from the same period in 2014, which surpassed the growth rate of revenue. This was mainly attributable to the increased labour cost. As a result, the gross profit margin decreased to 14.6% during the Review Period (six months ended June 30, 2014: 16.9%).

Hospital management services

We managed and operated a total of 13 general hospitals, one traditional Chinese medicine hospital, one hospital for women and children and 42 community clinics under the IOT model during the Review Period. In return, we were entitled to receive management fee from each hospital or the hospital owners, primarily calculated with reference to percentage of revenue and/or net income before tax (收支結餘) generated by our IOT hospitals and clinics. Accordingly, the management fees we receive depend on the performance of such hospitals and clinics. For certain hospitals, our management fees are dependent on profitability and performance reviews.

Revenue from our hospital management services segment surged to RMB29.2 million, representing an increase of 74.5% from the same period in 2014 and accounted for 4.9% of our total revenue during the Review Period. The following table sets out the revenue, cost of sales and services and gross profit contributed by our hospital management services segment during the periods indicated:

	Six months ended June 30,	
	2015	2014
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	29,219	16,743
Cost of sales and services	(7,940)	(7,180)
Gross profit	21,279	9,563

	Six months ended June 30,	
	2015	2014
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Yan Hua Hospital Group	14,355	7,641
Mentougou Hospital	—	1,694
Jing Mei Hospital Group	13,212	5,992
Mentougou Traditional Chinese Medicine Hospital	1,652	1,416
Mentougou Hospital for Women and Children	—	—
Total	29,219	16,743

The management fee from Yan Hua Hospital Group was RMB14.4 million during the Review Period, surged by 87.9% from the same period in 2014. Yan Hua Hospital Group witnessed revenue growth as a result of increased patient visits as well as higher average spending per patient visit. Meanwhile, Yan Hau Hospital Group was able to exercise more effective control on its cost of sales and services, in particular cost of pharmaceuticals. As a result, there was a substantial increase in net income before tax and hence our management fee.

The Group did not derive any management fee from Mentougou Hospital during the Review Period. During the period, Mentougou Hospital received more patients and recorded a higher average spending per patient visit. The hospital, however, incurred higher cost of sales and services, in particular costs of pharmaceuticals and medical devices and medical consumables, and operating expenses which have substantially offset the revenue growth. As a result, the hospital's net income before tax decreased and hence no management fee was derived.

The management fee from Jing Mei Hospital Group was RMB13.2 million during the Review Period, representing a substantial increase of 120.5% from the same period in 2014. Jing Mei Hospital Group's revenue increased as a result of increased patient visits and higher average spending per patient visit. Meanwhile, the increase of Jing Mei Hospital Group's cost of sales and services and operating expenses was less than its revenue growth, leading to a higher net income before tax and hence our management fee increased.

The management fee from Mentougou Traditional Chinese Medicine Hospital was RMB1.7 million during the Review Period, representing an increase of 16.7% from the same period in 2014. Mentougou Traditional Chinese Medicine Hospital witnessed an increase in patient visits as well as higher average spending per outpatient visit, albeit a decrease in average spending per inpatient visit. The increase in the hospital's cost of sales and services was also less than revenue growth, hence our management fee increased.

The Group entered into an agreement with Shunyi District Government on May 28, 2015, pursuant to which the Group and Shunyi District Government will establish a healthcare service system comprising preliminary diagnosis, comprehensive medical care and rehabilitation in the Shunyi District through the ROT (Restructure-Operate-Transfer) model. Pursuant to the aforesaid agreement, the Group is not entitled to any management fees for 2015. The Group will be entitled to receive management fees starting from 2016 till 2035.

The cost of sales and services of our hospital management services represents the amortization of intangible assets which were all or part of the investments we made pursuant to the IOT agreements.

Our hospital management services incurred cost of sales and services of RMB7.9 million during the Review Period, representing an increase of 10.6% from the same period in 2014, due to (i) the investment of RMB63.0 million in Yan Hua Hospital Group throughout 2014, of which RMB53.0 million was made in the second half of that year, and (ii) investment of RMB15.0 million in Mentougou Hospital for Women and Children in September 2014. Since the revenue growth outpaced the increase in cost of sales and services, the gross profit margin of our hospital management services segment strongly improved to 72.3% during the Review Period (six months ended June 30, 2014: 57.1%).

Supply chain business

Our supply chain business segment revenue is primarily derived from sales of pharmaceuticals, medical devices and medical consumables, and ancillary services mainly to the IOT hospitals and clinics. The following table sets out the revenue, cost of sales and services and gross profit contributed by our supply chain business segment during the periods indicated:

	Six months ended June 30,	
	2015	2014
	(RMB'000)	(RMB'000)
Revenue	401,056	310,463
Cost of sales and services	(318,507)	(242,440)
Gross profit	82,549	68,023

Our supply chain business segment revenue grew to RMB401.1 million during the Review Period, representing an increase of 29.2% from the same period in 2014, as a result of increased patient visits, expansion of our in-network hospitals and clinics, and our effort to further consolidate the procurement need of our in-network hospitals and clinics. Segment revenue from sales to Jian Gong Hospital amounted to RMB86.6 million was recorded as inter-segment revenue and eliminated from the total revenue. After such inter-segment elimination, our supply chain business segment accounted for 52.2% of our total revenue during the Review Period. The total number of patient visits at our in-network hospitals and clinics continuously increased to approximately 1.9 million during the Review Period (six months ended June 30, 2014: approximately 1.7 million).

The cost of sales and services of our supply chain business segment represents the procurement costs of pharmaceuticals, medical devices and medical consumables for resale mainly to the our in-network hospitals and clinics. Our supply chain business segment incurred cost of sales and services of RMB318.5 million during the Review Period, representing an increase of 31.4% from the same period in 2014. The gross profit margin of our supply chain business segment declined to 20.6% during the Review Period (six months ended June 30, 2014: 21.9%). Pursuant to the supply agreement entered into with Hong Hui, we provide Hong Hui with the consolidated pharmaceutical orders of Jian Gong Hospital, Yan Hua Hospital Group and Jing Mei Hospital Group, except for certain Excluded Pharmaceuticals. In consideration for granting Hong Hui the priority to supply pharmaceuticals to these three hospitals, Hong Hui agrees to provide us with a minimum economic benefit (“MEB”) and pay us the difference if the gross profit we generate from resale of pharmaceuticals is less than the MEB.

During the Review Period, Jian Gong Hospital, Yan Hua Hospital Group and Jing Mei Hospital Group purchased a total of RMB448.9 million of pharmaceuticals, excluding the purchases of Excluded Pharmaceuticals. We were entitled to RMB62.9 million MEB pursuant to our supply agreement with Hong Hui, of which RMB22.5 million was recorded as fee income. Our gross profit margin of our supply chain business segment would have been 16.1% during the Review Period (six months ended June 30, 2014: 16.0%) had we (a) reflected in the revenue of our supply chain business the purchases of pharmaceuticals by such three hospitals from Hong Hui and other suppliers arranged by Hong Hui; and (b) recorded in the gross profit of supply chain business the total fee income payment pursuant to the supply agreement with Hong Hui.

Gross Profit

Our overall gross profit reached RMB141.6 million during the Review Period, increased by 18.6% from the same period in 2014. Overall gross profit margin for the Review Period remained stable at 23.5% (six months ended June 30, 2014: 23.5%) as a result of higher revenue contribution from the hospital management services segment with strong improvement in gross profit margin in spite of the decline in gross profit margins of the general hospital services and supply chain business segment.

Other Income

Other income increased to RMB49.6 million during the Review Period, representing an increase of 24.9% from the same period in 2014, mainly due to increased interest and investment income from short-term investments in financial products operated by banks.

Other Gains and Losses

There was a foreign exchange loss of RMB1.6 million during the Review Period as a result of fluctuations of RMB against foreign currencies.

Selling and Distribution Expenses

As we continued to pursue development in the supply chain business segment, our selling and distribution expenses grew to RMB8.2 million during the Review Period, representing an increase of 58.7% from the same period in 2014, primarily due to higher staff costs as a result of the increase in the number of employees.

Administrative Expenses

We incurred administrative expenses of RMB43.1 million during the Review Period, representing an increase of 24.7% from the same period in 2014, primarily attributable to (i) higher staff costs as a result of the increase in the number of administrative staff and higher requirements of social welfare contribution, (ii) increase in professional consulting fees, and (iii) share-based payments of approximately RMB2.7 million.

Finance Costs

We did not incur any finance costs during the Review Period. The finance costs incurred in the same period in 2014 was due to a RMB200 million loan borrowed from Citic Trust Co., Ltd., which was fully repaid in January 2014.

Other Expenses

Other expenses, mainly included medical disputes expenditure, amounted to RMB0.2 million during the Review Period, representing a decrease of 32.5% from the same period in 2014.

Income Tax Expense

The income tax charge increased to RMB33.8 million during the Review Period, representing an increase of 11.8% from the same period in 2014, primarily due to an increase in profit before tax to RMB138.1 million during the Review Period (six month ended June 30, 2014: RMB115.4 million).

Net Profit

Profit attributable to shareholders amounted to RMB101.6 million during the Review Period, increased by 23.4% from the same period in 2014. Such increase principally reflected a combination of the improved gross profit of hospital management services segment and supply chain business segment, albeit a decline in gross profit of general hospital services segment, and our continuous effort on expenditure monitoring so as to ensure operating expenditures are maintained at an acceptable level.

Liquidity and Capital Resources

As at June 30, 2015, the Group's cash and cash equivalents amounted to RMB676.6 million (December 31, 2014: RMB611.5 million) and did not have any interest-bearing liabilities (December 31, 2014: nil).

Significant Investments, Acquisitions and Disposals

As at June 30, 2015, the Group's short-term investments, mainly represented investments in financial products operated by banks, amounted to RMB353.1 million (December 31, 2014: RMB77.3 million). At the same time, the Group had certificate of deposits of RMB82.5 million (December 31, 2014: RMB384.0 million).

On January 6, 2015, the Group entered into a non-binding cooperation framework agreement with the State Administration of Work Safety of the PRC ("Work Safety Authority") and Citic Trust Co., Ltd., pursuant to which the parties agreed to establish a joint venture company to provide general healthcare, nursing and ambulance services to the employees of the Work Safety Authority and citizens in Beijing and other cities in the PRC. At the initial stage, the joint venture company will work with the China Meitan General Hospital and the Occupational Medical Research Centre Shilong Hospital, both are located in Beijing and under the Work Safety Authority, under a restructure-operate-transfer model. Thereafter, the joint venture company will further explore cooperation opportunities with other medical institutions and nursing facilities under the Work Safety Authority. It was intended that the joint venture company will have an initial registered capital of RMB1,000.0 million. Upon its establishment, the joint venture company will be owned 35.0% by the Group, 40.0% by the Work Safety Authority and 25.0% by Citic Trust Co., Ltd. The parties intended to enter into definitive agreements as soon as specific details on the arrangement of the aforesaid proposed transaction are agreed upon.

On March 18, 2015, the Group entered into a non-binding framework agreement with UMP Healthcare Holdings, pursuant to which the parties will form a joint venture company for the establishment of a network of clinics of comprehensive family medicine and integrated specialist healthcare services in Beijing to provide preventive and health management schemes to both corporates and individuals. The joint venture company will be owned by the Group and UMP Healthcare Holdings on a 50:50 apportionment basis. Subsequent to the Review Period, the Company, True Point and Pinyu entered into a share purchase agreement on July 13, 2015 pursuant to which Pinyu agreed to acquire, and True Point agreed to sell, 20% equity interest in UMP Healthcare Holdings at a consideration of HK\$180.0 million, which completed on July 16, 2015. Concurrently with the execution of the aforesaid share purchase agreement, the Company, through, Pinyu, formed a joint venture company with UMP China for the purposes of undertaking the aforementioned healthcare business.

On May 28, 2015, the Group entered into an agreement with the People's Government of Shunyi District, Beijing ("Shunyi District Government"), pursuant to which the Group and Shunyi District Government will establish a healthcare service system comprising preliminary diagnosis, comprehensive medical care and rehabilitation in the Shunyi District through the ROT (Restructure-Operate-Transfer) model. Subsequent to the Review Period, the Group invested working capital of RMB100.0 million to two pilot medical institutions namely Airport Hospital of Shunyi District, Shunyi District No. 2 Hospital and their related primary healthcare institutions for reconstruction and expansion of facilities, recruiting professionals, building clinical laboratories, purchasing medical equipment and improving clinical environment on July 29, 2015. The Group will receive an annual repayment of RMB5.0 million and management fees from these hospitals for 20 years from 2016 to 2035.

Indebtedness

Borrowings

As at June 30, 2015, the Group did not have any interest-bearing liabilities (December 31, 2014: nil).

Contingent Liabilities

As at June 30, 2015, the Group did not have any contingent liabilities or guarantees that would have a material impact on the financial position or operations of the Group.

Exchange Rate Risk

The Group undertakes certain financing and operating transactions in foreign currencies, which expose the Group to foreign currency risk, mainly pertaining to the risk of fluctuations in the Hong Kong dollar and U.S. dollar against RMB.

The Group entered into the Syndicated Loan Agreement on February 4, 2015 pursuant to which the Syndicated Loan is denominated in U.S. dollar.

The Group has not used any derivative contracts to hedge against its exposure to currency risk. The management manages the currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

Interest Rate Risk

The Group is exposed to fair value interest rate risk in relation to receivables from IOT hospitals and clinics and cash flow interest risk in relation to variable-rate bank balances, which carry prevailing market interest rates and short-term investments.

The Group entered into the Syndicated Loan Agreement on February 4, 2015 pursuant to which the interest rate of the Syndicated Loan is determined with reference to the three-month London Interbank Offered Rate plus 3.15% per annum.

The Group currently does not have a specific policy to manage our interest rate risk and has not entered into interest rate swaps to hedge the exposure, but will closely monitor the interest rate risk exposure in the future.

Pledge of Assets

Pursuant to the Syndicated Loan Agreement, the Syndicated Loan will be guaranteed by existing offshore subsidiaries and future offshore subsidiaries of the Company and secured by first priority perfected security interests over the following in favor of the security agent on behalf of the lenders:

- i. charge over 100% of the shares of the existing offshore subsidiaries and future offshore subsidiaries of the Company;
- ii. pledge over 100% of equity interests of Beijing Phoenix, and future onshore subsidiaries and onshore joint ventures of the Company;
- iii. assignment of any intra-group shareholder loans from the loan proceeds under the Syndicated Loan Agreement;
- iv. fixed and floating charge or mortgage over all assets of the existing offshore subsidiaries and future offshore subsidiaries of the Company; and
- v. charge over the related debt service reserve account.

Other than disclosed above, there was no charge on the assets of the Company as at June 30, 2015.

Contractual Obligations

As at June 30, 2015, the Group did not have any significant contractual obligations that would have a material impact on the financial position or operations of the Group.

Gearing Ratio

As at June 30, 2015, on the basis of total interest-bearing liabilities divided by total assets, the Group's gearing ratio was nil (December 31, 2014: nil).

Employee and Remuneration Policy

As at June 30, 2015, the Group had a total of 879 full time employees (December 31, 2014: 888 employees). During the Review Period, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB79.0 million (six months ended June 30, 2014: RMB65.0 million).

The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, prevailing remuneration benchmarks in the industry, and market conditions within the general framework of the Group's remuneration system.

The remuneration of the Directors are reviewed by the remuneration committee of the Company and approved by the Board, according to the relevant Director's experience, responsibility, workload and the time devoted to the Group; the Company's operating results and comparable market statistics.

The Group has adopted the Share Option Scheme to provide an incentive or reward to eligible participants for their contribution or potential contribution to the Company and/or any of its subsidiaries.

For the first half of 2015, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

The Company has also adopted the Share Award Scheme as a mean to recognise the contribution of and provide incentives for the key management personnel including Directors and senior management, employed experts and core employees of the Group. The Share Award Scheme shall be valid and effective for a period of 10 years commencing from July 7, 2014 on which the Board adopted the Share Award Scheme (the “Adoption Date”) and is administrated by the Board and the trustee of the Share Award Scheme.

During the six months ended June 30, 2015, an aggregate of 8,690,200 Award Shares were granted pursuant to the Share Award Scheme subject to certain vesting criteria and conditions, including awards of 440,000 Award Shares (with 110,000 Award Shares each) made to four Directors, namely Liang Hongze, Zhang Xiaodan, Xu Zechang and Jiang Tianfan. As at June 30, 2015, 8,690,200 Award Shares granted pursuant to Share Award Scheme remained unvested.

INTERIM DIVIDEND

The Board do not recommend the payment of an interim dividend for the six months ended June 30, 2015 (six months ended June 30, 2014: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance and transparency. The Company confirms that it has complied with all material code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the “CG Code”) during the Review Period, save for the deviation from code provisions A.2.1 and A.6.7 of the CG Code as mentioned below.

According to code provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. Liang Hongze, the Chairman, is also the Chief Executive Officer. The Group does not intend to separate these two functions as both the Board and the senior management of the Group believe that vesting the roles of both Chairman and Chief Executive Officer in an experienced and qualified person such as Liang Hongze provides the Company with strong and consistent leadership while allowing effective and efficient planning and implementation of business decisions and strategies. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group.

According to code provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the view of Shareholders. Rui Wei, Kwong Kwok Kong, Sun Jianhua and Cheng Hong were unable to attend the annual general meeting of the Company held on June 4, 2015 due to other business commitments.

The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

Having made specific enquiry with all Directors, the Company confirmed that all members of the Board complied with the Model Code throughout the Review Period. Senior management, executives and staff who, because of their offices in the Company, are likely to possess inside information, have also been requested to comply with the provision of the Model Code and the Company confirmed that there was no incident of non-compliance of the Model Code by such employees throughout the Review Period.

REVIEW OF INTERIM RESULTS

The Audit Committee, comprising three independent non-executive Directors, has reviewed the unaudited interim results of the Group for the Review Period and considered that they were prepared in compliance with the relevant accounting standards, the Listing Rules and the applicable legal requirements, and that the Company has made appropriate disclosure thereof.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Review Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities other than the repurchase of the Company's shares by the trustee under the Share Award Scheme. Pursuant to the Share Award Scheme, the Company repurchased, through the trustee of the Share Award Scheme, a total of 2,144,000 shares of the Company at cash consideration of HK\$30,218,098 on the Stock Exchange during the six months June 30, 2015.

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is required to be published on the website of Hong Kong Exchanges and Clearing Limited (the "HKEx") at www.hkexnews.hk and the designated website of the Company at www.phg.com.cn respectively. The interim report of the Company for the six months ended June 30, 2015 will be despatched to the Shareholders and published on the HKEx's and the Company's websites in due course.

DEFINITIONS

"Audit Committee"	the audit committee of the Board
"Award Shares"	such Shares awarded pursuant to the Share Award Scheme, the maximum number of which shall not exceed 5% of the total issued capital of the Company as at July 7, 2014 and 1% of the total number issued Shares to each of the selected Participant as at July 7, 2014
"Beijing Easylife"	Beijing Phoenix Easylife Healthcare Consulting Co., Ltd. (北京鳳凰益生醫學技術諮詢有限公司), a limited liability company established under the laws of the PRC on January 18, 2008, and a wholly-owned subsidiary of our Group
"Beijing Juxin Wantong"	Beijing Juxin Wantong Investment Co., Ltd. (北京聚信萬同投資有限公司), formerly known as Phoenix United Hospital Management (Beijing) Co., Ltd. (鳳凰聯盟醫院管理(北京)有限公司) and Phoenix Healthcare Investment Management (Beijing) Co., Ltd. (鳳凰醫療投資管理(北京)有限公司), a limited liability company established under the laws of the PRC on June 9, 2003, and a wholly-owned subsidiary of Beijing Wantong a connected person to our Company
"Beijing Phoenix"	Beijing Phoenix United Hospital Management Consulting Co. Ltd. (北京鳳凰聯合醫院管理諮詢有限公司), formerly known as Beijing Phoenix United Hospital Management Co., Ltd. (北京鳳凰聯合醫院管理有限公司) and Beijing Phoenix United Hospital Management Joint Stock Co., Ltd. (北京鳳凰聯合醫院管理股份有限公司), a limited liability company established under the laws of the PRC on November 6, 2007, and a wholly-owned subsidiary of our Company

“Board” or “Board of Directors”	the board of Directors of our Company
“BVI”	the British Virgin Islands
“Chairman”	the chairman of our Board
“Chief Executive Officer”	the chief executive officer of our Company
“Chief Financial Officer”	the chief financial officer of our Company
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this interim report, Taiwan, the Macau Special Administrative Region and Hong Kong
“Company” or “our Company”	Phoenix Healthcare Group Co. Ltd, a company with limited liability incorporated in the Cayman Islands on February 28, 2013
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and, depending on the context, refers to Xu Jie (徐捷), Xu Xiaojie (徐小捷), Xu Bao Rui (徐寶瑞) and Speed Key Limited or any one of them
“Director(s)”	the directors of our Company or any one of them
“Eligible Persons”	any of the (i) key management personnel including the Directors and senior management of the Group; (ii) employed experts as nominated by the Board; and (iii) core employees of the Group
“Excluded Pharmaceuticals”	certain pharmaceuticals such as prepared traditional Chinese medicine (中藥飲片) and pharmaceuticals sold at community clinics which are excluded from our supply agreement with Hong Hui
“Group”, “we” or “us”	our Company and its subsidiaries
“HK\$” or “HKD” and “cent(s)”	Hong Kong dollar and cent(s) respectively, the lawful currency of Hong Kong
“Hong Hui”	Hong Hui Pharmaceutical Co., Ltd. (紅惠醫藥有限公司), a limited liability company established under laws of the PRC on March 15, 1994, a supplier of the Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRSs”	International Financial Reporting Standards
“IOT”	the “invest-operate-transfer” model
“IOT hospitals and clinics”	third-party hospitals and clinics, which we manage and operate under the IOT model
“IPO”	initial public offering of Shares and listing of the Group on the Stock Exchange on November 29, 2013

“Jian Gong Hospital”	Beijing Jian Gong Hospital Co., Ltd. (北京市健宮醫院有限公司), a limited liability company established under the laws of the PRC on May 12, 2003 and a subsidiary of our Company, and its predecessor, Beijing Construction Worker Hospital (北京市建築工人醫院), before its reform
“Jing Mei Hospital”	Jing Mei Hospital (北京京煤集團總醫院), a not-for-profit hospital established under the laws of the PRC in 1956 and wholly owned by Beijing Coal, which we began managing in May 2011 pursuant to the Jing Mei IOT Agreement
“Jing Mei Hospital Group”	collectively, Jing Mei Hospital and seven Grade I hospitals and 11 community clinics affiliated with Jing Mei Hospital
“Jing Mei IOT Agreement”	collectively, the IOT agreement we entered into with Beijing Coal on May 5, 2011, as amended
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mentougou Hospital”	Mentougou Hospital (北京市門頭溝區醫院), a not-for-profit hospital established under the laws of the PRC in 1951 and wholly owned by the Mentougou District government, which we began managing in June 2010 pursuant to the Mentougou IOT Agreement
“Mentougou Hospital for Women and Children”	Mentougou Hospital for Women and Children (門頭溝婦幼保健院) incorporated under the laws of the PRC in 1983 and wholly owned by the Mentougou District government, which we began managing in September 2014 pursuant to the Mentougou Hospital for Women and Children IOT Agreement
“Mentougou Hospital for Women and Children IOT Agreement”	the IOT agreement we entered into with the Mentougou District government on September 23, 2014
“Mentougou IOT Agreement”	collectively, the IOT agreement we entered into with the Mentougou District government on July 30, 2010, as amended
“Mentougou TCM Hospital IOT Agreement”	the IOT agreement we entered into with the Mentougou District government on June 6, 2012
“Mentougou Traditional Chinese Medicine Hospital”	Mentougou Traditional Chinese Medicine Hospital (北京市門頭溝區中醫院), a not-for-profit hospital established under the laws of the PRC in 1956 and wholly owned by the Mentougou District government, which we began managing in June 2012 pursuant to the Mentougou TCM Hospital IOT Agreement
“Pinyu”	a limited liability company incorporated in the BVI on January 3, 2013, a wholly-owned subsidiary of our Company
“RMB”	Renminbi, the lawful currency of the PRC

“Review Period”	the period from January 1, 2015 to June 30, 2015
“Selected Participant(s)”	Eligible Persons selected by the Board in accordance with the terms of the Share Award Scheme
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of the Share(s)
“Share Award Scheme”	the share award scheme of the Company adopted by the Board pursuant to a resolution passed by the Board on July 7, 2014, as amended by the Board on May 25, 2015
“Share Option Scheme”	the share option scheme conditionally adopted by the Company pursuant to a resolution passed by our Shareholders on September 30, 2013
“Share(s)”	share(s) with par value of HK\$0.00025 each in the capital of the Company
“Scheme Rules”	the rules relating to the Share Award Scheme adopted by the Board
“Speed Key Limited”	a limited liability company incorporated in the BVI on January 30, 2013, a Controlling Shareholder and a connected person to the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Syndicated Loan”	the facility granted to the Company pursuant to the Syndicated Loan Agreement
“Syndicated Loan Agreement”	the agreement we entered into with a consortium of lenders led by Deutsche Bank AG on February 4, 2015, whereby the Company was granted a facility in the aggregate sum of US\$150.0 million with a repayment term of three year (which is extendable for another two years after the initial three-year term), the interest rate of which is determined with reference the three-month London Interbank Offered Rate plus 3.15% per annum
“True Point”	True Point Holdings Limited, a limited liability company incorporated in the BVI
UMP China	UMP Healthcare China Limited, a limited liability company incorporated in the Cayman Islands, and a direct wholly owned subsidiary of UMP Healthcare Holdings
UMP Healthcare Holdings	UMP Healthcare Holdings Limited (聯合醫務控股有限公司), a limited liability company incorporated in the Cayman Islands, and a subsidiary of True Point Holdings Limited, a limited liability company incorporated in the BVI
“U.S. dollar” or “US\$”	United States dollar, the lawful currency of the United States
“United States” or “U.S.”	the United States of America, its territories and possessions, and all areas subject to its jurisdiction

“Yan Hua Hospital”	Yan Hua Hospital (北京燕化醫院), a not-for-profit hospital established under the laws of the PRC in 1973 and wholly owned by Yan Hua Phoenix, which we started to manage and operate in February 2008 pursuant to the Yan Hua IOT Agreement and a connected person to our Company
“Yan Hua Hospital Group”	collectively, Yan Hua Hospital and 17 community clinics affiliated with Yan Hua Hospital
“Yan Hua IOT Agreement”	collectively, the IOT agreement we entered into with Yan Hua Hospital Group and Yan Hua Phoenix on February 1, 2008, as amended
“Yan Hua Phoenix”	Beijing Yan Hua Phoenix Healthcare Asset Management Co., Ltd. (北京燕化鳳凰醫療資產管理有限公司), a limited liability company established under the laws of the PRC on July 18, 2005, a wholly-owned subsidiary of Beijing Juxin Wantong and a connected person to our Company

In this announcement, the terms “associate”, “connected person”, “connected transaction”, “subsidiary” and “substantial shareholder” shall have the same meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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

Hong Kong, August 10, 2015

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