PHOENIX
HEALTHCARE
GROUP
凤凰医疗集团

Phoenix Healthcare Group Co. Ltd

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1515

Interim Report 2015


体检中心

CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Liang Hongze *(Chairman and Chief Executive Officer)*
Xu Jie
Zhang Xiaodan *(Executive General Manager)*
Xu Zechang *(Vice General Manager)*
Jiang Tianfan *(Chief Financial Officer)*

Non-executive Directors:

Yang Huisheng
Rui Wei

Independent Non-executive Directors:

Kwong Kwok Kong
Cheng Hong
Wang Bing
Sun Jianhua

AUDIT COMMITTEE

Kwong Kwok Kong *(Chairman)*
Cheng Hong
Sun Jianhua

REMUNERATION COMMITTEE

Wang Bing *(Chairman)*
Sun Jianhua
Zhang Xiaodan

NOMINATION COMMITTEE

Cheng Hong *(Chairman)*
Wang Bing
Liang Hongze

AUTHORIZED REPRESENTATIVES

Jiang Tianfan
Wong Kwok Hung Kendrick

COMPANY SECRETARY

Wong Kwok Hung Kendrick

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

E-825, No. 6 Taiping Street
Xicheng District
Beijing 100050
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 1214–1215
Two Pacific Place
88 Queensway
Hong Kong

REGISTERED OFFICE

Harneys Services (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240, Grand Cayman
KY1-1002, Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Harneys Services (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240, Grand Cayman
KY1-1002, Cayman Islands

CORPORATE INFORMATION (CONTINUED)

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS

Brandt Chan & Partners
in association with Dentons HK LLP
3201 Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPAL BANKERS

China Merchants Bank
2nd Floor, Tower A
156 Fuxingmennei Street
Xicheng District
Beijing, China

Industrial and Commercial Bank of China
55 Taoranting Road
Xicheng District
Beijing, China

STOCK CODE

1515

COMPANY WEBSITE

www.phg.com.cn

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 (RMB'000)	2014 (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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 (RMB'000)	2014 (RMB'000)
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 (RMB'000)	2014 (RMB'000)
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 (RMB'000)	2014 (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 RMB200.0 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). During the Review Period, the Group did not make any drawdown pursuant to the Syndicated Loan Agreement.

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).

CORPORATE GOVERNANCE HIGHLIGHTS

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.

THE BOARD

The Board currently comprises eleven Directors, including five executive Directors, viz, Liang Hongze, Xu Jie, Zhang Xiaodan, Xu Zechang and Jiang Tianfan; two non-executive Directors, viz, Yang Huisheng and Rui Wei; and four independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise, viz, Kwong Kwok Kong, Cheng Hong, Wang Bing and Sun Jianhua.

The Corporate Information on pages 2 to 3 of this Interim Report includes changes up to the date of this Interim Report.

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.

CORPORATE GOVERNANCE HIGHLIGHTS (CONTINUED)

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.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at June 30, 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in shares

Name of Director/ chief executive	Capacity	Number of ordinary shares held (long position)	Approximate percentage of shareholding %
Liang Hongze	Interest in Controlled Corporation and Beneficial Owner	25,315,912[1]	3.04
Xu Jie	Beneficial Owner	13,868,000	1.66
Zhang Xiaodan	Beneficial Owner	1,513,100[2]	0.18
Xu Zechang	Beneficial Owner	2,909,964[3]	0.35
Jiang Tianfan	Interest in Controlled Corporation and Beneficial Owner	10,511,648[4]	1.26

Notes:

1. These interests represented:

   (a) 25,205,912 Shares held by Xin Yue Development Limited, which is wholly owned by Liang Hongze; and

   (b) 110,000 Award Shares granted to Liang Hongze which were subject to certain vesting criteria and conditions pursuant to the Share Award Scheme, details of which are set out in the section below headed "Share Award Scheme".

2. These interests represented:

   (a) 1,403,100 Shares held by Zhang Xiaodan; and

   (b) 110,000 Award Shares granted to Zhang Xiaodan which were subject to certain vesting criteria and conditions pursuant to the Share Award Scheme, details of which are set out in the section below headed "Share Award Scheme".

3. These interests represented:

   (a) 2,799,964 Shares held by Xu Zechang; and

   (b) 110,000 Award Shares granted to Xu Zechang which were subject to certain vesting criteria and conditions pursuant to the Share Award Scheme, details of which are set out in the section below headed "Share Award Scheme".

4. These interests represented:

(a) 10,401,648 Shares held by True Glory Global Limited, which is wholly owned by Jiang Tianfan; and

(b) 110,000 Award Shares granted to Jiang Tianfan which were subject to certain vesting criteria and conditions pursuant to the Share Award Scheme, details of which are set out in the section below headed "Share Award Scheme".

Save as disclosed above, as at June 30, 2015, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be entered into the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The maximum number of shares available for issue under the Share Option Scheme is 83,376,300, being 10% of the issued share capital of the Company, as at the latest annual report date.

During the Review Period, no share option was granted, exercised, expired or lapsed and there was no outstanding share option under the Share Option Scheme.

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme as a means 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. In order to provide more flexibility in the administration and operation of the Share Award Scheme, the Board resolved on May 25, 2015 to make amendments to the terms of the Share Award Scheme and the Scheme Rules, having retrospective effect from the Adoption Date, to the effect that the Board may, from time to time, in its absolute discretion, determine if the Award Shares shall be granted to a Selected Participant with or without payment of a price per Award Share payable by the Selected Participant (the "Grant Price"), which shall be notified by the Board to each Selected Participant. In determining whether the Selected Participant shall pay a Grant Price for the Award Shares and the amount of the Grant Price, as the case may be, the Board shall take into consideration matters, including, but without limitation, the Selected Participant's position, experience, years of service, performance and contribution to the Company, its subsidiaries and/or associated entities.

The Board will continue to implement the Share Award Scheme in accordance with the Scheme Rules including but not limited to providing necessary funds to the trustee for purchase of no more than 5% of the total number of issued Shares as at the Adoption Date with each selected participant receiving not more than 1% of the total number of issued Shares as at the Adoption Date. The Company shall comply with the relevant Listing Rules when granting the Award Shares. If the Award Shares are made to the Directors, such awards shall constitute connected transaction under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules.

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.

Details of the Award Shares outstanding and movements during the six months ended June 30, 2015 are set out as follows:

Name of participant	Date of grant	Exercise Price HK$	Vesting date	Number of Award Shares Outstanding as at January 1, 2015	Granted during the Review Period	Lapsed during the Review Period	Exercised during the Review Period	Outstanding as at June 30, 2015
Director/Chief Executive								
Liang Hongze	May 25, 2015	—	May 13, 2016	—	110,000	—	—	110,000
Zhang Xiaodan	May 25, 2015	—	May 13, 2016	—	110,000	—	—	110,000
Xu Zechang	May 25, 2015	—	May 13, 2016	—	110,000	—	—	110,000
Jiang Tianfan	May 25, 2015	—	May 13, 2016	—	110,000	—	—	110,000
Employees								
In aggregate	May 25, 2015	—	May 13, 2016	—	880,200	—	—	880,200
	May 25, 2015	—	1/3 on May 13, 2016; 1/3 on May 13, 2017; 1/3 on May 13, 2018	—	3,759,000	—	—	3,759,000
	May 25, 2015	12.68	1/3 on May 13, 2016; 1/3 on May 13, 2017; 1/3 on May 13, 2018	—	3,611,000	—	—	3,611,000

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES

As at June 30, 2015, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share of the Company.

Name of Shareholder	Capacity	Number of ordinary shares held (long position)	Approximate percentage of shareholding %
Speed Key Limited[1]	Beneficial Owner	249,901,360	29.97
Xu Baorui[1]	Interest in Controlled Corporation	249,901,360	29.97
JPMorgan Chase & Co.[2]	Interest in Controlled Corporation	50,398,000	6.04

Notes:

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

2. 49% of the issued share capital of China International Fund Management Co Ltd is owned by JPMorgan Asset Management (UK) Limited, which is in turn wholly owned by JPMorgan Asset Management Holdings (UK) Limited. The entire issued share capital of JPMorgan Asset Management Holdings (UK) Limited is held by JPMorgan Asset Management International Limited, which is in turn wholly owned by JPMorgan Asset Management Holdings Inc.

   The entire issued share capital of each of JPMorgan Asset Management (Taiwan) Limited, JF Asset Management Limited and JF International Management Inc. is held by JPMorgan Asset Management (Asia) Inc., which is in turn wholly owned by JPMorgan Asset Management Holdings Inc.

   The entire issued share capital of JPMorgan Asset Management Holdings Inc is held by JPMorgan Chase & Co.

   The entire issued share capital of J.P. Morgan Clearing Corp is held by J.P. Morgan Securities LLC, which is in turn wholly owned by J.P. Morgan Broker-Dealer Holdings Inc. The entire issued share capital of J.P. Morgan Broker-Dealer Holdings Inc is held by JPMorgan Chase & Co.

   0.69% of the issued share capital of J.P. Morgan Securities plc is owned by J.P. Morgan Capital Financing Limited, which is in turn wholly owned by JPMorgan Chase & Co.

   99.31% of the issued share capital of J.P. Morgan Securities plc is owned by J.P. Morgan Chase International Holdings, which is in turn wholly owned by J.P. Morgan Chase (UK) Holdings Limited. The entire issued share capital of J.P. Morgan Chase (UK) Holdings Limited is held by J.P. Morgan Capital Holdings Limited, which is in turn wholly owned by J.P. Morgan International Finance Limited.

   The entire issued share capital of J.P. Morgan Whitefriars Inc. is held by J.P. Morgan Overseas Capital Corporation, which is in turn wholly owned by J.P. Morgan International Finance Limited.

   The entire issued share capital of J.P. Morgan International Finance Limited is held by Bank One International Holdings Corporation, which is in turn wholly owned by J.P. Morgan International Inc. The entire issued share capital of J.P. Morgan International Inc. is held by JPMorgan Chase Bank, N.A., which is in turn wholly owned by JPMorgan Chase & Co.

   The entire issued share capital of each of JPMorgan Asset Management Holdings Inc, J.P. Morgan Broker-Dealer Holdings Inc, J.P. Morgan Capital Financing Limited and JPMorgan Chase Bank, N.A. is held by JPMorgan Chase & Co.

Other than as disclosed above, as at June 30, 2015, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

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 purchase of the Company's shares by the trustee under the Share Award Scheme. Pursuant to the Share Award Scheme, the Company purchased, 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.

SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge, information and belief of the Directors, the Directors confirm that the Company had maintained a sufficient public float as required under the Listing Rules throughout the six months ended June 30, 2015.

On behalf of the Board
Liang Hongze
Chairman

Hong Kong, August 10, 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended June 30,	
	Notes	**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	6	**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	9	**—**	(944)
Other expenses		**(231)**	(342)
Profit before tax		**138,056**	115,375
Income tax expense	10	**(33,838)**	(30,272)
Profit and total comprehensive income for the period	11	**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)	12	**0.12**	0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	14	**136,234**	138,292
Intangible assets	15	**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	16	**350**	1,346
		708,344	719,110
Current assets			
Inventories	17	**39,463**	33,832
Trade receivables	18	**70,987**	93,735
Prepayments and other receivables		**63,383**	24,528
Amounts due from a related party	24	**58,208**	67,838
Short-term investments	19	**353,100**	77,300
Certificate of deposit	20	**82,549**	384,027
Cash and cash equivalents	20	**676,606**	611,536
		1,344,296	1,292,796
Current liabilities			
Trade payables	21	**161,873**	171,874
Other payables		**39,926**	58,606
Tax payables		**26,454**	42,955
		228,253	273,435
Net current assets		**1,116,043**	1,019,361
Total assets less current liabilities		**1,824,387**	1,738,471
Non-current liabilities			
Retirement benefit obligations		**2,172**	3,227
		2,172	3,227
Net assets		**1,822,215**	1,735,244

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000 (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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company									
	Capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Treasury share reserve RMB'000	Share-based payment reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Attributable to non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2015 (audited)	166	1,497,815	(335,027)	26,564	(175,684)	–	613,278	1,627,112	108,132	1,735,244
Profit and total comprehensive income for the period	–	–	–	–	–	–	101,626	101,626	2,592	104,218
Purchase of shares under share award scheme	–	–	–	–	(23,892)	–	–	(23,892)	–	(23,892)
Vesting of shares under share award scheme	–	–	–	–	36,868	–	–	36,868	–	36,868
Dividends	–	(32,904)	–	–	–	–	–	(32,904)	–	(32,904)
Share-based payments	–	–	–	–	–	2,681	–	2,681	–	2,681
Balance at June 30, 2015 (Unaudited)	166	1,464,911	(335,027)	26.564	(162,708)	2,681	714,904	1,711,491	110,724	1,822,215
Balance at January 1, 2014 (audited)	166	1,542,270	(335,027)	13,045	–	–	396,746	1,617,200	98,654	1,715,854
Profit and total comprehensive Income for the period	–	–	–	–	–	–	82,384	82,384	2,720	85,104
Balance at June 30, 2014 (Unaudited)	166	1,542,270	(335,027)	13,045	–	–	479,130	1,699,584	101,374	1,800,958

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax	**138,056**	115,375
Adjustments for:		
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	**7,940**	7,179
Interest and investment income	**(25,398)**	(18,167)
Finance costs	**—**	944
Loss (gain) on disposal of property, plant and equipment, net	**3**	21
Foreign exchange loss	**1,379**	2,650
Share-based payments	**2,681**	—
Operating cash flows before movements in working capital	**137,740**	119,985
Movements in working capital		
(Increase) decrease in inventories	**(5.630)**	(4,752)
Decrease (increase) in trade receivables	**22,748**	(13,326)
Increase in prepayments and other receivables	**(11,592)**	(18,587)
Decrease (increase) in amount due from a related party	**9,630**	(12,048)
(Decrease) increase in trade payables	**(10,001)**	29,930
(Decrease) increase in other payables	**(2,251)**	33,541
Cash generated from operations	**140,644**	134,743
Income taxes paid	**(49,342)**	(30,213)
Net cash generated from operating activities	**91,302**	104,530
Cash flows from investing activities		
Interest received from short-term investments	**21,117**	14,932
Purchase of short-term investments	**(2,590,221)**	(1,791,600)
Proceeds from disposal of short-term investments	**2,314,421**	1,385,100
Purchase and withdrawal of certificate of deposit	**(300,043)**	338,484
Proceeds from disposal of certificate of deposit	**601,521**	—
Purchases of property, plant and equipment	**(20,253)**	(16,343)
Payments to IOT Hospitals under IOT agreements	**—**	(10,000)
Repayment from IOT Hospitals	**2,388**	1,450
Proceeds from disposal of property, plant and equipment	**3**	31
Acquisition of equity interest in Jian Gong Hospital	**(7,116)**	—
Net cash generated from (used in) investing activities	**21,817**	(77,946)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Notes	Six months ended June 30, 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Cash flows from financing activities			
Interest paid		–	(1,566)
Repayment of the borrowings		–	(200,000)
Dividends paid		**(32,904)**	—
Purchase of shares under share award scheme		**(23,892)**	—
Syndicated loan fees		**(26,742)**	—
Vesting of shares under share award scheme		**36,868**	—
Net cash used in financing activities		**(46,670)**	(201,556)
Net increase (decrease) in cash and cash equivalents		**66,449**	(174,972)
Cash and cash equivalents at the beginning of the period		**611,536**	401,770
Effect of foreign exchange rate changes		**(1,379)**	(2,650)
Cash and cash equivalents at the end of the period	19	**676,606**	224,148
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash	19	**676,606**	224,148

The notes on pages 26 to 45 form an integral part of these interim consolidated financial statements.

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 **RMB'000** **(Unaudited)**	2014 RMB'000 (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. OTHER INCOME

	Six months ended June 30,	
	2015 **RMB'000** **(Unaudited)**	2014 RMB'000 (Unaudited)
Fee income from suppliers (Note)	**22,536**	21,090
Interest and investment income on:		
bank deposits and certificate of deposits	**1,992**	8,469
short-term investments	**19,317**	6,741
receivables from IOT Hospitals	**4,281**	3,235
Others	**1,450**	151
	49,576	39,686

Note: On January 10, 2012, the Group entered into a one-year supply agreement with its supplier, Hong Hui Pharmaceutical Co., Ltd. (紅惠醫藥有限公司) ("Hong Hui"), for the supply of pharmaceuticals to Jian Gong Hospital, Yan Hua Hospital and Jing Mei Hospital. The agreement was renewed annually from then on. Under the supply agreement, Hong Hui arranged itself or other suppliers to supply pharmaceuticals to Jian Gong Hospital, Yan Hua Hospital and Jing Mei Hospital through the supply chain subsidiaries of the Group or directly to these three hospitals. In consideration of granting to Hong Hui the priority to supply pharmaceuticals to these three hospitals, Hong Hui agrees to pay the Group an amount calculated based on a percentage of the total pharmaceutical purchases made by Jian Gong Hospital, Yan Hua Hospital and Jing Mei Hospital (the "Minimum Economic Benefit"). The fee income represents the difference between the amount of the Minimum Economic Benefit and the gross profit generated by the Group from the sale of pharmaceuticals to the three hospitals. The fee income was received/receivable from Hong Hui or from other suppliers as arranged by Hong Hui.

7. 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.

7. SEGMENT INFORMATION (Continued)

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

Segment revenue, results, assets and liabilities

	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, 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	33,407	94,659	146,206
Unallocated foreign exchange loss				(1,527)
Other unallocated income and expense				(6,623)
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

7. 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
Other segment information				
Amounts included in the measure of segment results or segment assets:				
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)
Amounts regularly provided to the CODM but not included in the measure of segment results:				
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.

7. 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

7. 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
Other segment information				
Amounts included in the measure of segment results or segment assets:				
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)
Amounts regularly provided to the CODM but not included in the measure of segment results:				
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.

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.

7. SEGMENT INFORMATION (Continued)

Segment revenue, results, assets and liabilities (Continued)

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	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Yan Hua Hospital	**127,224**	96,767
Jing Mei Hospital	**129,225**	92,388

8. IOT ARRANGEMENTS

The IOT agreements entered between the Group and the contributors of IOT Hospitals as described in the Group's annual report for the year ended December 31, 2014 remain unchanged.

(i) The amount of management fee received/receivable by the Group and revenue derived from supply chain business to the IOT Hospitals during current interim period is as follows:

For the six months ended June 30, 2015 (Unaudited)

	Hospital management services	**Supply chain business**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
Yan Hua Hospital	**14,355**	**112,869**	**127,224**
Mentougou Hospital	**—**	**57,676**	**57,676**
Jing Mei Hospital	**13,212**	**116,013**	**129,225**
Mentougou Traditional Chinese Medicine Hospital	**1,652**	**25,514**	**27,166**
Mentougou Hospital for Women and Children	**—**	**401**	**401**
	29,219	**312,473**	**341,692**

For the six months ended June 30, 2014 (Unaudited)

	Hospital management services	Supply chain business	Total
	RMB'000	RMB'000	RMB'000
Yan Hua Hospital	7,641	89,126	96,767
Mentougou Hospital	1,694	50,138	51,832
Jing Mei Hospital	5,992	86,346	92,338
Mentougou Traditional Chinese Medicine Hospital	1,416	15,946	17,362
	16,743	241,556	258,299

8. IOT ARRANGEMENTS (Continued)

(ii) The amount of trade receivables with the IOT Hospitals and receivables from IOT Hospitals at the end of the current interim period are as follows:

	As at June 30, 2015 RMB'000 (Unaudited)	As at December 31, 2014 RMB'000 (Audited)
Trade receivables:		
Yan Hua Hospital	**58,205**	67,838
Mentougou Hospital	**17,019**	21,790
Jing Mei Hospital	**47,079**	52,962
Mentougou Traditional Chinese Medicine Hospital	**9,739**	11,332
Mentougou Hospital for Women and Children	**471**	—
	132,513	153,922

	As at June 30, 2015 RMB'000 (Unaudited)	As at December 31, 2014 RMB'000 (Audited)
Receivables from the IOT Hospitals:		
Yan Hua Hospital	**34,191**	32,409
Mentougou Hospital	**29,543**	28,003
Mentougou Traditional Chinese Medicine Hospital	**9,628**	10,500
Mentougou Hospital for Women and Children	**6,361**	6,918
	79,723	77,830
Less: current portion included in prepayments and other receivables	**(8,836)**	(8,836)
Non-current portion	**70,887**	68,994

9. FINANCE COSTS

	Six months ended June 30,	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interests on borrowings wholly repayable within five years	**–**	944
	–	944

10. 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	2014
	RMB'000	RMB'000
	(Unaudited)	(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

11. 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

12. 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.

13. 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.

14. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group spent approximately RMB9,625,000 (six months ended June 30, 2014: RMB7,234,000) on additions to replace and upgrade its medical equipment and renovate certain section of Jian Gong Hospital for better serving the patients. In the same period, the Group had disposals of approximately RMB293,000 (six months ended June 30, 2014: RMB3,541,000) mainly due to scheduled replacements.

15. INTANGIBLE ASSETS

	As at	
	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000 (Audited)
Cost:		
At beginning of the period	**408,702**	351,288
Additions:		
Fair value adjustments (Note)	**–**	57,414
At the end of the period	**408,702**	408,702
Accumulated amortization:		
At beginning of the period	**(48,672)**	(34,039)
Charge for the period	**(7,939)**	(14,633)
At the end of the period	**(56,611)**	(48,672)
Carrying amount at the end of the period	**352,091**	360,030

Note: Since the commitments to provide Repayable Investment Amounts are part of the respective IOT arrangements which the Group have been granted the operating rights of the IOT Hospitals in return, the fair value adjustments are accounted for as part of the IOT operating rights to the extent the additional investments relate to upgrading the relevant IOT Hospitals, rather than restoring to a specified level of serviceability and subject to amortisation charges (included in cost of sales and services in the consolidated statements of profit or loss and other comprehensive income) over the operating period of the respective IOT arrangements.

16. DEFERRED TAX ASSETS

The movement of the Group's deferred tax assets during the current interim period is as follows:

	Accrued expenses RMB'000	**Total** RMB'000
At January 1, 2014 (Audited)	1,080	1,080
Credit to profit or loss	266	266
At December 31, 2014 (Audited)	1,346	1,346
Charge to profit or loss	996	996
At June 30, 2015 (Unaudited)	350	350

17. INVENTORIES

	As at	
	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000 (Audited)
Pharmaceuticals	**31,423**	27,001
Medical devices and medical consumables	**8,040**	6,831
	39,463	33,832

18. 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.

19. SHORT-TERM INVESTMENTS

The Group's short-term investments mainly represent investments in financial products operated by banks, with expected annual return ranging from 2.1% to 5.8% per annum which have been designated at fair value through profit or loss. The short-term investments as at June 30, 2015 will be maturing before October 2015 (December 31, 2014: February 2015).

There were no significant changes in the counterparties' credit risk and therefore there were no significant gains or losses attributed to changes in credit risk for these financial assets designated at fair value through profit or loss during the current interim period.

20. CERTIFICATE OF DEPOSIT AND CASH AND CASH EQUIVALENTS

	As at	
	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000 (Audited)
Bank balance and cash (classified as cash and cash equivalents)	**676,606**	611,536
Certificate of deposit	**82,549**	384,027
	759,155	995,563
Cash and cash equivalents and certificate of deposit denominated in:		
— RMB	**755,589**	968,445
— USD	**453**	962
— HKD	**3,113**	26,156
	795,155	995,563

Bank balances carried interest at market rates which range from 0.001% to 3.30% per annum over both periods. As at June 30, 2015, the Group had the certificate of deposit of RMB82,549,000 (June 30, 2014: RMB365,966,000) with interest rate of 3.2% to 3.3% per annum which will mature before September 2015.

21. 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

22. CAPITAL COMMITMENTS

The following is the details of capital expenditure contracted for but not provided in these interim consolidated financial statements.

	As at	
	June 30, 2015 RMB'000 (Unaudited)	December 31, 2014 RMB'000 (Audited)
Commitment for acquisition of property, plant and equipment	**10,155**	7,881
	10,155	7,881

23. CONTINGENT LIABILITIES

The Group is involved as defendants in certain medical disputes arising from its normal business operations. Management of the Group believes, based on legal advice, that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group and accordingly, no provision is made in this regard.

24. 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

	As at	
Trade in nature	**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.

25. 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$180.0 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.

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

DEFINITIONS (CONTINUED)

"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 Metougou 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 interim report, 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


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