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PHOENIX
HEALTHCARE
GROUP
凤凰医疗集团

Phoenix Healthcare Group Co. Ltd
鳳凰醫療集團有限公司

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended June 30,	
		2016	2015
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**705,200**	602,265
Cost of sales and services		**(523,126)**	(460,711)
Gross profit		**182,074**	141,554
Other income		**42,912**	49,576
Other gains and losses		**(1,984)**	(1,571)
Selling and distribution expenses		**(10,376)**	(8,222)
Administrative expenses		**(53,575)**	(43,050)
Other expenses		**(1,130)**	(231)
Share of loss of an associate		**(8)**	—
Share of loss of a joint venture		**(3,451)**	—
Profit before tax		**154,462**	138,056
Income tax expense	*7*	**(19,537)**	(33,838)
Profit and total comprehensive income for the period	*8*	**134,925**	104,218
Profit and total comprehensive income for the period attributable to:			
Equity holders of the Company		**130,312**	101,626
Non-controlling interests		**4,613**	2,592
		134,925	104,218
Earnings per share			
— basic (RMB yuan per share)	*9*	**0.16**	0.12
— diluted (RMB yuan per share)	*9*	**0.16**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**June 30, 2016 RMB'000 (Unaudited)**	December 31, 2015 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**144,410**	145,223
Intangible assets		**395,141**	404,569
Receivables from invest-operate-transfer ("IOT") hospitals		**107,073**	103,059
Lease prepayments for land use right		**145,407**	147,095
Interest in an associate		**158,170**	154,995
Interest in a joint venture		**—**	—
Loan to a joint venture		**17,587**	6,361
Deferred tax assets		**9,963**	300
		977,751	961,602
Current assets			
Inventories		**44,467**	42,322
Trade receivables	*11*	**144,081**	137,620
Prepayments and other receivables		**241,768**	42,887
Amounts due from a related party	*13*	**70,654**	57,500
Short-term investments		**197,560**	74,990
Certificate of deposit		**74,463**	116,684
Cash and cash equivalents		**528,292**	821,864
		1,301,285	1,293,867
Current liabilities			
Trade payables	*12*	**197,306**	209,543
Other payables		**49,108**	59,567
Tax payables		**18,755**	36,880
Dividend payable		**—**	83,823
		265,169	389,813
Net current assets		**1,036,116**	904,054
Total assets less current liabilities		**2,013,867**	1,865,656
Non-current liabilities			
Retirement benefit obligations		**1,705**	2,924
		1,705	2,924
Net assets		**2,012,162**	1,862,732

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	June 30, 2016 *RMB'000* **(Unaudited)**	December 31, 2015 *RMB'000* (Audited)
Capital and reserves		
Capital	**166**	166
Share premium	**1,383,447**	1,382,736
Reserves	**508,478**	364,976
Equity attributable to equity holders of the Company	**1,892,091**	1,747,878
Non-controlling interests	**120,071**	114,854
Total equity	**2,012,162**	1,862,732

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended June 30, 2016

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 25, 2016.

2. Basis of Preparation

These consolidated interim financial statements for the six months ended June 30, 2016 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, 2015, 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, 2015, 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. 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, 2015.

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

4. Application of a New Interpretation and Amendments to IFRSs

In the current interim period, the Group has also applied, for the first time, certain amendments to International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB") that are mandatorily effective in the current interim period.

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.

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,	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
General hospital services	**282,883**	258,604
Hospital management services	**43,142**	29,219
Supply chain business	**379,175**	314,442
	705,200	602,265

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	Hospital management services	Supply chain business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended June 30, 2016 (Unaudited)				
External revenues	282,883	43,142	379,175	705,200
Inter-segment revenue	—	—	90,643	90,643
Segment revenue	282,883	43,142	469,818	795,843
Eliminations				(90,643)
Consolidated revenue				705,200
Segment results	19,956	27,688	115,843	163,487
Share of loss of an associate				(8)
Share of loss of a joint venture				(3,451)
Unallocated interest revenue				1,480
Unallocated foreign exchange gain				203
Other unallocated expense				(7,249)
Profit before tax				154,462
As at June 30, 2016 (unaudited)				
Segment assets	688,516	1,115,884	362,629	2,167,029
Unallocated bank balances and certificate of deposit				120,908
Other unallocated assets				179,507
Elimination of inter-segment receivables				(188,408)
Consolidated assets				2,279,036
Segment liabilities	85,871	144,013	223,427	453,311
Other unallocated liabilities				1,971
Elimination of inter-segment payables				(188,408)
Consolidated liabilities				266,874

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*
Other segment information				
Amounts included in the measure of segment results or segment assets:				
Addition to non-current assets *(Note)*	9,978	2,216	1,241	13,435
Depreciation and amortization	13,526	11,099	305	24,930
Loss on disposal of property, plant and equipment, net	2	0	128	130
Interest and investment income	(2,201)	(13,629)	(1,334)	(17,164)
Amounts regularly provided to the CODM but not included in the measure of segment results or segment assets:				
Interest in an associate	N/A	N/A	N/A	158,170
Interest in a joint venture	N/A	N/A	N/A	—
Loan to a joint venture	N/A	N/A	N/A	17,587
Share of loss of an associate	N/A	N/A	N/A	8
Share of loss of a joint venture	N/A	N/A	N/A	3,451
Foreign exchange gain	N/A	N/A	N/A	(203)
Income tax expense	(2,994)	(6,168)	28,699	19,537

Note: Non-current assets include property, plant and equipment as well as 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, 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
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.

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 businesses in the PRC, and the Group's operations and non-current assets are located in the PRC, except for interest in an associate with carrying amount of RMB158,170 thousand which principal place of business is in Hong Kong.

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,	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Yan Hua Hospital	**150,594**	127,224
Jing Mei Hospital	**155,554**	129,225
Mentougou Hospital	**79,144**	57,676

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,	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC enterprise income tax ("EIT")	**29,200**	32,842
Deferred tax	**(9,663)**	996
Total income tax recognised in profit or loss	**19,537**	33,838

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,	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**13,814**	11,391
Amortisation of lease prepayments for land use right	**1,688**	1,688
Amortisation of intangible assets (Included in cost of sales and services)	**9,428**	7,940
Total depreciation and amortization	**24,930**	21,019
Cost of inventories recognised as expense	**444,554**	387,816
Operating lease rentals in respect of rented premises	**1,864**	1,938
Directors' emoluments	**5,370**	3,822
Other staff cost		
Salaries and other allowances	**72,264**	68,009
Retirement benefit contributions	**6,670**	5,310
Share-based payments	**11,649**	2,249
Total staff costs	**95,953**	79,390

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,	
	2016	2015
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit for the purpose of basic and diluted earnings per share for the year attributable to equity holders of the Company	**130,312**	101,626
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**822,680**	817,569
Effect of dilutive potential ordinary shares:		
Non-vested shares under Share Award Scheme (in thousands)	**1,623**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	**824,303**	N/A

The weighted average number of shares used for the purpose of calculating the basic earnings per share for the half year ended June 30, 2016 has been arrived at after adjusting the effect of shares repurchased and held by the Company's share award scheme.

10. Dividends

On December 17, 2015, the Company declared a special dividend of HK$0.12 per share amounting to an aggregate of approximately HK$100,051,560 (equivalent to approximately RMB82,573,000) to Shareholders whose names appear on the register of members of the Company at the close of business on January 8, 2016. The special dividend was paid on January 8, 2016. The Trust held the dividends of the treasury share of approximately RMB711,000.

The Board of Directors do not recommend the payment of an interim dividend for the six months ended June 30, 2016 (Nil for the year ended December 31, 2015 and for the six months ended June 30, 2015).

11. Trade Receivables

The following is an aged analysis of trade receivables presented based on the revenue recognition date.

	As at	
	June 30, 2016	December 31, 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 60 days	**103,811**	118,555
61 to 180 days	**32,178**	6,396
181 days to 365 days	**8,092**	12,669
	144,081	137,620

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.

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, 2016	December 31, 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 60 days	**141,767**	189,768
61–180 days	**53,743**	18,221
≥181 days	**1,796**	1,554
	197,306	209,543

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 close family member of the ultimate beneficial shareholder with significant influence over the Company
UMP Healthcare Holdings	Associate
UMP Phoenix	Joint venture company

(b) Related party balances

At June 30, 2016, 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	
	June 30, 2016	December 31, 2015
Trade in nature	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)
Yan Hua Hospital	**70,654**	57,500

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, 2016	December 31, 2015
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 60 days	**54,835**	38,579
61–180 days	**15,819**	18,921
	70,654	57,500

As at June 30, 2016, the Group did not have amount due from a related party which was past due.

Non-trade in nature	**As at June 30, 2016** *RMB'000* **(Unaudited)**	December 31, 2015 *RMB'000* (Audited)
UMP Phoenix	**17,587**	6,361

Given that (i) the annual caps in relation to the Yan Hua IOT Agreement have expired on December 31, 2015; (ii) the Original PMM Sales Framework Agreement with Yan Hua Hospital Group will expire on November 6, 2016 and the annual caps in relation to the continuing connected transactions contemplated thereunder have expired on December 31, 2015, the Group intends to make the following two arrangements in order to continue the continuing connected transactions contemplated thereunder: (a) renewing the annual caps for the three financial years ending December 31, 2018 in relation to the continuing connected transactions under Yan Hua IOT Agreement; and (b) renewing and extending the term of the Original PMM Sales Framework Agreement and renewing the annual caps for the three financial years ending December 31, 2018 in relation to the continuing connected transactions contemplated thereunder, which are subject to the approval by independent Shareholders at the extraordinary general meeting to be convened. A circular containing the relevant information will be despatched to the Shareholders in due course.

For details, please refer to the announcement of the Company dated July 8, 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview and Outlook

During the first half of 2016, the Group intensively explored opportunities for development under the macro environment of comprehensive and deepening reform of the PRC healthcare system, seized the opportunity of national reform and healthcare reform, proactively expanded the scale of medical institution network, while focusing on the Group's human resources development, medical practice technological level improvement and medical infrastructure construction in the medical institution network. The Group was able to continuously enhance the overall quality of healthcare services and operational efficiency with great success. During the Review Period, both the business and finance of the Group reaped rapid growth while in-network hospitals and clinics have received approximately 2.91 million patients during the period, representing an increase of 53.16% from the same period in 2015; the total revenue of the Group amounted to approximately RMB705 million, representing an increase of 17.1% from the same period in 2015; net profit amounted to approximately RMB135 million, representing an increase of 29.5% from the same period in 2015. The rapid development of the Group's current business established a solid foundation for the regional and national expansion of future healthcare services network.

In addition, in the first half of 2016, the Group signed the term sheets with two large scale state-owned healthcare groups, China Resources Healthcare Group Limited ("CR Healthcare") and CITIC Medical & Health Group Co., Ltd ("CITIC Medical"), respectively, to issue shares to acquire the core healthcare assets of the two healthcare groups, and to introduce the two healthcare groups as long-term strategic shareholders of the Group's listed company. Upon completion of the acquisition, it is expected that the Group will own a total of 106 medical institutions, which include 9 Grade III medical institutions, 12 Grade II medical institutions, 34 Grade I medical institutions, 51 community healthcare centres, and 3 elderly care institutions, becoming one of the largest healthcare services groups in Asia with approximately 12,600 hospital beds in total and over ten million annual patient visits.

The in-depth cooperation between the Group and the two healthcare groups, CR Healthcare and CITIC Medical, is a key milestone for the Group on the path of healthcare system reform, and a strategical transformation of the Group from a private institution to a public-private-partnership mixed-ownership institution, which brought broader development for the Group, and demonstrated the strong confidence of the cooperating parties towards the development prospects of the PRC healthcare services industry.

In the future, given that after the completion of the acquisition, the Group will fully integrate various resources of the strategic shareholders to create synergies between the healthcare industry resources of the state-owned strategic shareholders and the Group's valuable experience of reforming and operating hospitals, actively promote resources-sharing within the medical institution network, and fully enhance the operational management efficiency of the Group through scale economic benefit, with the aim to achieve strong alliance and complementary effects between the cooperating parties, and jointly promote the acceleration of the expansion of the Group's healthcare services network scale, thereby developing into a frontrunner with international influence in the PRC healthcare services industry.

Financial Review

The Group recorded revenue of approximately RMB705 million during the Review Period, representing an increase of 17.1% from the same period in 2015. There was an increase of revenue contribution and level of gross profit margin from hospital management services segment, general hospital services segment and supply chain business segment. The Group's overall gross profit margin increased to 25.8% during the Review Period (six months ended June 30, 2015: 23.5%). The net profit attributable to shareholders increased to approximately RMB130 million during the Review Period, representing a significant increase of 28.2% from the same period in 2015.

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 mainly consists of 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,	
	2016	2015
	RMB'000	*RMB'000*
Revenue	**282,883**	258,604
Cost of sales and services	**(238,626)**	(220,878)
Gross profit	**44,257**	37,726

Revenue from our general hospital services segment reached approximately RMB283 million during the Review Period, representing an increase of 9.4% from the same period in 2015 and accounted for 40.1% of our total revenue. The increase in revenue was primarily attributable to the growth of patient visits, particularly out-patient visits. Patient visits in Jian Gong Hospital was approximately 392,300 (six months ended June 30, 2015: approximately 361,900 visits), comprising approximately 386,300 outpatient visits (six months ended June 30, 2015: approximately 356,300 visits) and 6,000 inpatient visits (six months ended June 30, 2015: approximately 5,600 visits). During the Review Period, the average spending per outpatient visit increased to approximately RMB451 (six months ended June 30, 2015: approximately RMB440), while the average spending per inpatient visits slightly increased to approximately RMB17,905 (six months ended June 30, 2015: approximately RMB17,893).

The cost of sales and services of our general hospital services mainly represented 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 approximately RMB239 million, representing an increase of 8.04% from the same period in 2015, but lower than the growth rate of revenue. As a result, the gross profit margin increased to 15.6% during the Review Period (six months ended June 30, 2015: 14.6%).

Hospital management services

During the Review Period, we managed and operated a total of 15 general hospitals, 1 traditional Chinese medicine hospital, 1 hospital for women and children and 39 community clinics under the IOT model. 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 depended on the performance of such hospitals and clinics. For certain hospitals, our management fees were dependent on profitability and performance reviews.

Revenue from our hospital management services segment increased to RMB43.14 million during the Review Period, representing an increase of 47.7% from the same period in 2015, and accounted for 6.1% of our total revenue. 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,	
	2016	2015
	RMB'000	*RMB'000*
Revenue	**43,142**	29,219
Cost of sales and services	**(9,428)**	(7,940)
Gross profit	**33,714**	21,279

	Six months ended June 30,	
	2016	2015
	RMB'000	*RMB'000*
Yan Hua Hospital Group	**15,516**	14,355
Jing Mei Hospital Group	**18,770**	13,212
Mentougou Hospital	**4,103**	—
Mentougou Traditional Chinese Medicine Hospital	**1,514**	1,652
Mentougou Hospital for Women and Children	**660**	—
Shunyi Hospital	**2,579**	—
Total	**43,142**	29,219

During the Review Period, the management fee from Yan Hua Hospital Group was approximately RMB15.52 million, increased by 8.1% from the same period in 2015. Yan Hua Hospital Group witnessed revenue growth as a result of increased patient visits as well as higher average spending per patient visit, which in turn increased the management fee for our Group.

During the Review Period, the management fee from Jing Mei Hospital Group was RMB18.77 million, representing a substantial increase of 42.1% from the same period in 2015. 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 a significant increase in our management fee.

During the Review Period, the Group derived total management fee of approximately RMB6.28 million from three hospitals (Mentougou Hospital, Mentougou Traditional Chinese Medicine Hospital, Mentougou Hospital for Women and Children) of Mentougou Hospital Group, representing a substantial increase as compared with the corresponding period in 2015. Revenue increased as a result of significant increases in patient visits and average spending per patient visit of three hospitals, which in turn substantially increased the management fee for our Group.

On May 28, 2015, the Group obtained the operating right of Shunyi Hospital with a period of 20 years from 2016 to 2035, and received management fee starting from 2016. During the Review Period, a management fee of RMB2.58 million from Shunyi Hospital was recorded for the first time. Shunyi Hospital witnessed an increase in patient visits as well as higher average spending per visit over the same period.

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

During the Review Period, our hospital management services incurred cost of sales and services of approximately RMB9.43 million, representing an increase of 18.7% from the same period in 2015, due to the commencement of amortization of investment of RMB100 million in Shunyi Hospital in July 2015. 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 78.2% during the Review Period (six months ended June 30, 2015: 72.8%).

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,	
	2016	2015
	RMB'000	*RMB'000*
Revenue	**469,818**	401,056
Cost of sales and services	**(365,715)**	(318,507)
Gross profit	**104,103**	82,549

Our supply chain business segment revenue grew to approximately RMB470 million during the Review Period, representing an increase of 17.1% from the same period in 2015, 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 approximately RMB90.64 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 53.8% 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 2.4 million visits during the Review Period (excluding those patients received by Baoding No. 1 Central Hospital and Boading Third Center Hospital, and including those by Shunyi Hospital, which only became IOT hospitals of the Group in the second half of 2015) (six months ended June 30, 2015: approximately 1.9 million visits excluding those by Shunyi Hospital, approximately 2.1 million visits including those by Shunyi Hospital).

The cost of sales and services of our supply chain business segment represented the procurement costs of pharmaceuticals, medical devices and medical consumables for resale mainly to our in-network hospitals and clinics. During the Review Period, our supply chain business segment incurred cost of sales and services of RMB366 million, representing an increase of 14.8% from the same period in 2015. During the Review Period, the gross profit margin of our supply chain business segment increased to 22.2% (six months ended June 30, 2015: 20.6%). 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 the above three hospitals, Hong Hui agreed 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 RMB493 million of pharmaceuticals, excluding the purchases of Excluded Pharmaceuticals. We were entitled to approximately RMB69 million MEB pursuant to our supply agreement with Hong Hui, of which RMB23.5 million was recorded as fee income. Our gross profit margin of our supply chain business segment would have been 17.1% during the Review Period (six months ended June 30, 2015: 16.1%) if 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

During the Review Period, our overall gross profit reached approximately RMB182 million, increased by 28.6% from the same period in 2015 as a result of improved revenue contribution and gross profit margin from each segment.

Other Income

Other income increased to approximately RMB42.91 million during the Review Period, representing a decrease of 13.4% from the same period in 2015, mainly due to the decreased interest and investment income from short-term investments in financial products operated by banks.

Other Gains and Losses

During the Review Period, there were other gains and losses of approximately RMB1.98 million, mainly as a result of loss from changes in fair value of mutual funds.

Selling and Distribution Expenses

During the Review Period, as we continued to pursue development in the supply chain business segment, our selling and distribution expenses grew to approximately RMB10.38 million, representing an increase of 26.2% from the same period in 2015, primarily due to higher staff costs as a result of the increase in the number of employees.

Administrative Expenses

During the Review Period, we incurred administrative expenses of RMB53.58 million, representing an increase of 24.4% from the same period in 2015, 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) share-based payments of approximately RMB11.65 million.

Finance Costs

We did not incur any finance costs during the Review Period.

Other Expenses

During the Review Period, other expenses, mainly included medical disputes expenditure, amounted to approximately RMB1.13 million, representing an increase of 389.2% from the same period in 2015.

Income Tax Expense

During the Review Period, the income tax charge was approximately RMB19.54 million, representing a decrease of 42.3% from the same period in 2015. Although profit before tax increased to approximately RMB154 million during the Review Period (six month ended June 30, 2015: RMB138 million), income tax charge decreased as dividend income from mutual funds was exempted from the corporate income tax according to the PRC corporate income tax law.

Net Profit

During the Review Period, profit attributable to Shareholders amounted to approximately RMB130 million, increased by 28.2% from the same period in 2015. Such increase was principally attributable to gross profit improvement in each business segment.

Liquidity and Capital Resources

As at June 30, 2016, the Group's cash and cash equivalents amounted to approximately RMB528.3 million (December 31, 2015: RMB821.8 million) and did not have any interest-bearing liabilities (December 31, 2015: nil).

Significant Investments, Acquisitions and Disposals

As at June 30, 2016, the balance of the Group's short-term investments was approximately RMB198 million (December 31, 2015 : RMB75 million), mainly comprised short term financial products operated by the banks. At the same time, the Group had certificate of deposits of RMB74.5 million (December 31, 2015: RMB117 million).

After the trading hours on April 8, 2016, the Company, Pinyu (which is an indirect wholly-owned subsidiary of the Company) and CR Healthcare entered into a binding term sheet, pursuant to which the Company has conditionally agreed to acquire via Pinyu, and CR Healthcare has conditionally agreed to sell, the entire equity interest in Ample Mighty Limited, through which the Company will acquire the assets and equity interests of and/or the right to operate the medical institutions. Upon and prior to the completion of the acquisition, such medical institutions will be owned by or under the operation of Ample Mighty Limited. The consideration for the acquisition is HK$3,721,824,669, which will be satisfied by the issue of 462,913,516 consideration shares at the issue price of HK$8.04 per consideration share to CR Healthcare (or its nominee) upon the completion. Upon the completion, the consideration shares shall represent not less than 35.7% of the issued share capital of the Company as enlarged by the issue of the consideration shares and CR Healthcare will become a controlling shareholder of the Company. Please refer to the announcement of the Company dated April 8, 2016 for details.

The Company, Pinyu (which is an indirect wholly-owned subsidiary of the Company) and CITIC Medical entered into the term sheet on April 29, 2016, pursuant to which the Company has conditionally agreed to acquire via Pinyu, and CITIC Medical has conditionally agreed to sell the controlling stakes in two subsidiaries of CITIC Medical, which are the sponsors and operators of the Grade III hospitals (the "Subject Interests") in consideration for the issue by the Company of the consideration shares to CITIC Medical. The consideration for the acquisition should be no less than HK$1,240,424,776, which may be adjusted in accordance with the valuation of the Subject Interests. The consideration will be satisfied by the issue of at least 130,571,029 consideration shares at the issue price of HK$9.50 per consideration share to CITIC Medical upon the completion and the number of the consideration share may be adjusted in accordance with the valuation of the Subject Interests as well. Please refer to the announcement of the Company dated May 3, 2016 for details.

As at June 30, 2016, the aforesaid acquisitions have not been completed.

Indebtedness

Borrowings

As at June 30, 2016, the Group did not have any interest-bearing liabilities (December 31, 2015: nil).

Contingent Liabilities

As at June 30, 2016, 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 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.

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

The Group entered into the Syndicated Loan Agreement on February 4, 2015, under which the Syndicated Loan will be guaranteed by existing offshore subsidiaries and future offshore subsidiaries of the Company 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.

As the Syndicated Loan Agreement has been terminated on January 22, 2016, the procedures for discharging the above charges and pledges were completed in June 2016.

Contractual Obligations

As at June 30, 2016, 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, 2016, on the basis of total interest-bearing liabilities divided by total assets, the Group's gearing ratio was nil (December 31, 2015: nil).

Employee and Remuneration Policy

As at June 30, 2016, the Group had a total of 909 full time employees (December 31, 2015: 895 employees). During the Review Period, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB95.9 million (six months ended June 30, 2015: RMB79.0 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 Board 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 2016, 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 ten 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.

As at June 30, 2016, an aggregate of 11,075,200 Award Shares were granted pursuant to the Share Award Scheme subject to certain vesting criteria and conditions, among which, including awards of 1,260,000 Award Shares (with 210,000 Award Shares each) made to six Directors, namely Liang Hongze, Zhang Xiaodan, Xu Zechang, Jiang Tianfan, Cheng Libing and Shan Baojie. As at June 30, 2016, 3,054,000 Award Shares granted pursuant to the Share Award Scheme remained unvested.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2016 (six months ended June 30, 2015: 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 deviations as mentioned below.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

For the period from January 1, 2016 to April 24, 2016, Mr. Liang Hongze was both the chairman of the Board and Chief Executive Officer. The Board believes that vesting the roles of both the chairman of the Board and Chief Executive Officer in an experienced and qualified person such as Mr. Liang Hongze provides the Company with strong and consistent leadership while allowing for effective and efficient planning and implementation of business decisions and strategies during such period.

On 25 April 2016, Mr. Liang resigned as the chairman of the Board and remained as an executive Director. Ms. Xu Jie, an executive Director, has been appointed as the chairman of the Board with effect from 25 April 2016. Since then, the roles of the chairman of the Board and Chief Executive Officer have been separated and performed by different individuals, and therefore, the Company has complied with the code provision A.2.1 of the CG Code.

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. Sun Jianhua, Cheng Hong and Lee Kar Chung Felix were unable to attend the annual general meeting of the Company held on June 8, 2016 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 BY DIRECTORS

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 Directors 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, namely Kwong Kwok Kong (chairman of the Audit Committee), Cheng Hong and Sun Jianhua has reviewed the unaudited consolidated 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.

The unaudited consolidated interim results of the Group for the Review Period have not been reviewed by the external auditors of the Company.

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.

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited ("HKEx") at www.hkexnews.hk and of the Company at www.phg.com.cn respectively. The interim report of the Company for the six months ended June 30, 2016 will be despatched to each of the Shareholders of the Company and published on 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 of 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, a wholly-owned subsidiary of Beijing Wantong and 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
"Beijing Wantong"	Beijing Phoenix Wantong Investment Management Co., Ltd (北京鳳凰萬同投資管理有限公司), formerly known as Phoenix Hospital Management (Beijing) Co., Ltd. (鳳凰醫院管理(北京)有限公司), a limited liability company established under the laws of the PRC in April 2002
"Board" or "Board of Directors"	the board of Directors
"BVI"	the British Virgin Islands
"Chairman"	the chairman of our Board
"Chief Executive Officer"	the chief executive officer of our Company
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this announcement, 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
"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
"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 Jingmei Group, which we began managing in May 2011 pursuant to the Jing Mei IOT Agreement
"Jing Mei Hospital Group"	collectively, Jing Mei Hospital and 7 Grade I hospitals and 11 community clinics affiliated with Jing Mei Hospital
"Jing Mei IOT Agreement"	collectively, the IOT agreement we entered into with Jingmei Group 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 (門頭溝區婦幼保健院) 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, an indirect wholly-owned subsidiary of the Company

"RMB"	Renminbi, the lawful currency of the PRC
"Review Period"	the period from January 1, 2016 to June 30, 2016
"Selected Participant(s)"	Eligible Persons selected by the Board in accordance with the terms of the Share Award Scheme
"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
"Shunyi Hospital"	collectively, Airport Hospital of Shunyi District, Shunyi District No. 2 Hospital and its affiliated community clinics
"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$150.0 million with a repayment term of 3 years (which is extendable for another two years after the initial three-year term), the interest rate of which is determined with reference to the three-month London Interbank Offered Rate plus 3.15% per annum
"UMP Healthcare Holdings"	UMP Healthcare Holdings Limited (聯合醫務控股有限公司), a limited liability company incorporated in the Cayman Islands, and a subsidiary of True Point Holdings Limited, a limited liability company incorporated in the BVI
"U.S. dollar" or "US$"	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 Order of the Board
Phoenix Healthcare Group Co. Ltd
Xu Jie
Chairman

Hong Kong, August 25, 2016

As at the date of this announcement, the Board comprises Ms. Xu Jie, Mr. Liang Hongze, Mr. Zhang Xiaodan, Mr. Xu Zechang, Mr. Jiang Tianfan, Mr. Cheng Libing and Mr. Shan Baojie as executive Directors; and Mr. Kwong Kwok Kong, Ms. Cheng Hong, Mr. Sun Jianhua and Mr. Lee Kar Chung Felix as independent non-executive Directors.