华润凤凰
CR Phoenix

China Resources Phoenix Healthcare Holdings Company Limited
華 潤 鳳 凰 醫 療 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1515)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2016

FINANCIAL HIGHLIGHTS

	Year ended December 31,	
	2016	2015
	(RMB'000)	*(RMB'000)*
Revenue	**1,532,831**	1,372,267
(Loss) profit for the year attributable to:		
Equity holders of the Company	**(1,506,964)**	167,045
Equity holders of the Company, net of non-recurring profit or loss and special expenditure	**250,598**	194,420
(Loss) earnings per share		
– basic *(RMB per share)*	**(1.67)**	0.2
– diluted *(RMB per share)*	**(1.67)**	0.2
Earnings per share net of non-recurring profit or loss and special expenditure		
– basic *(RMB per share)*	**0.28**	0.24
– diluted *(RMB per share)*	**0.28**	0.24
Proposed final dividend per share *(HK$ per share)*	**6.3 cents**	–
Special dividend per share *(HK$ per share)*	**–**	12 cents

Note: Included in the non-recurring profit or loss and special expenditure for 2016 are the loss of RMB1,727,499,000 arising from the one-off impairment on goodwill resulting from the acquisition of Ample Mighty and the restructuring costs of RMB30,063,000;

Included in the non-recurring profit or loss and special expenditure for 2015 is the transaction cost of RMB27,375,000 in relation to the termination of the syndicated loan.

The Board is pleased to announce the audited consolidated annual results of the Group for the year ended December 31, 2016 ("FY2016") together with the comparative figures for the year ended December 31, 2015 ("FY2015").

MANAGEMENT DISCUSSION AND ANALYSIS

(I) China healthcare services industry

At present, China has stepped into aging society. Driven by various factors such as steady progress of urbanization, sustained growth of disposable income per capita, continuous improvement of medical technologies and social security, the healthcare market in China is huge and is growing rapidly. According to the National Health and Family Planning Development Statistical Bulletin (《衛生和計劃生育事業發展統計公報》), healthcare consumption in China amounted to RMB4,058.77 billion in 2015, sustaining at 12.53% CAGR for the past five years. This, however, only accounted for 6.0% of the GDP and was below the average of higher-income and middle-income countries. Given the enormous base of population and consumption, the Chinese healthcare market still has significant room to grow. According to the target proposed in the "13th Five-Year Plan for Healthcare" (Guo Fa [2016] No. 77)(《"十三五"衛生與健康規劃》國發[2016]77號), by 2020, total healthcare expenditure in China will account for 6.5% to 7.0% of the GDP and the healthcare market will reach a size of RMB6.2 to RMB6.7 trillion.

Meanwhile, the in-depth development of the national healthcare system reform is underway and focuses on providing preliminary healthcare services to all residents based on the principle of "maintaining basic coverage, enhancing capabilities of lower level medical institutions and facilitating system and mechanism", it aims to develop three medical linkages between healthcare, medical insurance and medication ("三醫聯動"). The coverage of the national healthcare protection is expanding. The public hospital reform entered a crucial period in which structural innovations under the concept of "divesting public service units from government" continued to progress. While assuring the accessibility and affordability of national preliminary healthcare services, the healthcare reform aims to better satisfy the multi-level and diversified needs of the public. These initiatives accelerate the progress in the structural reform of public hospitals, and largely encourage the investment of private capital in the healthcare industry. Driven by the healthcare reform, private capital will identify numerous opportunities arising from the reform of public hospitals, output of professional hospital management, development of hospital groups network, differentiated healthcare services and combination of elderly care and rehabilitation. The development trend and policy orientation of the China's healthcare service industry provides a favorable environment for hospital management groups with rich experience in healthcare reform and scale advantages.

The year 2016 is the opening year of China's "13th Five-Year Plan". The PRC government has launched a series of significantly favorable policies in areas of state-owned enterprises reform and healthcare system reform:

1. The state-owned enterprises reform. Based on the "Guidance on Deepening State-owned Enterprises Reform" (Zhong Fa [2015] No.22) (《中共中央國務院關於深化國有企業改革的指導意見》中發【2015】22號), which requires to accelerate to divest social obligations and hospitals established by state-owned enterprises, the State Council of the PRC further issued the "Notice on Accelerating to Divest Social Obligations and Historical Issues" (Guo Fa [2016] No.19) (《關於印發加快剝離國有企業辦社會職能和解決歷史遺留問題工作方案的通知》國發[2016]19號). The Notice requires that medical institutions established by state-owned enterprises shall be categorized and divested by various ways including transfering, merging, restructuring or introducing professional management, or government procurement services etc., which, or together with the centralized management, should be accomplished by the end of 2018; it is encouraged to explore models such as government procurement services and involving private capital into the restructuring of medical institutions established by state-owned enterprises.

2. The healthcare system reform. As a guidance for the healthcare development in China during the "13th Five-Year Plan", the "13th Five-Year Plan for Healthcare" (《"十三五"衛生與健康規劃》) requires to devote great endeavors to the development of private hospitals, and the formation of diversified healthcare services model. The plan encourages private sector's involvement in the healthcare services business, promoting the development of professional hospital management groups and high-level private medical institutions.

The major reform policies of state-owned enterprises and healthcare system have created unprecedented opportunities for the leaping development of professional hospital management groups in China. It is expected in the next 2 to 3 years, the PRC government and state-owned enterprises will further expand the scope of healthcare reform. During this critical period when two reform policies converge, the Group will further consolidate its leading position in China healthcare industry by accelerating its mergers and acquisitions as well as integration.

(II) Group development review

In 1988, 12 doctors, with entrepreneurial ambition, established Traumatic Hospital of Jilin, marking the first step of our Group into the healthcare industry, as well as a breakthrough of private capital's investment into China's healthcare market. Despite the challenges during the past 28 years, being the pioneer in this sector, the Group has always been maintaining its enthusiasm, prudence, high-efficiency, pragmatic entrepreneurship and passion. With its extensive experience in hospital investment and operation through long-term practices, the Group has established a set of experience-based hospital operation and management systems, along with a high quality and experienced management team. Our "collective, market-oriented, integrated and industrialized" development pattern has enabled us to become the largest professional hospital group in the capital markets of China and Hong Kong.

In 2016, the Group successfully accomplished the strategic reorganization with CR Healthcare Group, which significantly expanded our hospital network and business scale. By leveraging the brand effect of "China Resources" as a key state-owned enterprise and its diversified industry resources, along with our Group's market-oriented mechanism and mature operational capabilities, this reorganization greatly enhanced the Group's competitive advantages, which laid a solid foundation for improving the operational efficiency of existing hospitals and accelerating the expansion of our hospital group network.

After the reorganization, our management team remained stable and adhered to our original operation mode and development strategy. At the same time, Dr. Fu Yuning, chairman of CR Holdings and Mr. Wang Yin, vice chairman of CR Holdings, served as the honorary chairman and chairman of the Group respectively, which reflects that CR Holdings highly values and supports the Group.

After the reorganization, the network of the Group covers 103 medical institutions via investment, management or contractual arrangement, with 11,772 beds in operation, widely spread over key regions including Beijing, North China, East China, Central China and South China. With 7 Grade III hospitals, 14 Grade II hospitals, 82 Grade I hospitals and community clinics, we provide a full range of multi-level healthcare services such as clinical diagnosis and treatment, healthcare management, public health and a combination of medical treatment and elderly care.

In 2016, medical institutions under the Group's investment and management recorded total revenue of RMB5.926 billion, representing a year-on-year increase of 96.3%; with 7.774 million patient visits in total, representing a year-on-year increase of 64.2%.

In 2016, the Group completed the acquisition of equity interests of Ample Mighty. The acquisition was completed by way of issuing new shares based on the fair value of the net identifiable assets of Ample Mighty and at the price of HK$8.04 per share. However, according to the requirements of IFRSs, the Group should determine the goodwill arising from the acquisition in respect of the difference between the fair value of the net identifiable assets of the acquired assets and the fair value of the consideration. The fair value of the consideration for the acquisition is usually determined based on the closing price of the Company's shares as of the date of completion (the shares closed at HK$12.34/share on the date of completion). As a result, the Group increased the goodwill for the above acquisition by approximately RMB1.7 billion. Considering that there were no substantive changes in the acquired assets during this period, the Group decided to make full provisions for the impairment of the increase in goodwill (approximately RMB1.7 billion) according to IFRS. Hence, the Group recorded a loss attributable to shareholders in 2016. Such impairment loss for goodwill was purely a result of an accounting treatment based on IFRS as well as a one-off non-cash profit or loss item on the income statement without affecting the daily operation and cash flow of the Group.

(III) Positioning and business model

Hospital group is our unique and explicit industry orientation in China's healthcare industry.

As a hospital group, our high quality, differentiated and multi-level healthcare services is able to cover stable and large population, which is our unique advantage compared with other industries, and anchor us as the core and hub in China's "Big Healthcare" industry. Hospital group has huge industrial expansion opportunities and derived value, along with its traditional industrial value. Using the hospital group as the base, we will expand upstream and downstream within the industry, thus enrich our business model of "hospital group+", i.e. "hospital group + GPO", "hospital group + physician company", "hospital group + internet healthcare', "hospital group + medical insurance", "hospital group + elderly care", "hospital group + UCC" etc. These newly derived values will maximize the value of the hospital group as a whole. In 2017, among all the above derived models, we will focus on developing the physician company business, in addition to the GPO business already in operation.

Our Group has well-structured profit models, including operational revenue and derived revenue from hospital group, among which:

1. Operational revenue from hospital group

(1) General healthcare services

The revenue is derived from the provision of healthcare services to patients by the profit-making medical institutions invested and managed by the Group.

(2) Hospital management and consulting services

The Group invests in not-for-profit hospitals, and will enter into consulting or management agreements with the sponsors of the invested hospital (or invested hospitals) to establish consulting business relationships or obtain management right. Pursuant to these agreements, our Group provides consulting or management services to the invested hospitals, and is entitled to receive consulting or management fees. Our investment in not-for-profit hospitals can be divided into two models: (i) to acquire the sponsorship of the target hospital through investment, such as our investments in Guangdong 999 Brain Hospital, Wugang Hospital Group, Huaikuang Hospital Group and Xukuang Hospital. (ii) to acquire the management rights of the invested hospitals through investment, such as IOT investments in Yan Hua Hospital Group, Jing Mei Hospital Group and Mentougou Hospital Group.

Revenue from hospital management and consulting service also contains revenue from the collective management of supply chain of the invested hospitals. By establishing professional supply chain management companies, our Group has set up an integrated supply chain management system involving upstream pharmaceutical distributors and in-network hospitals. Our supply chain management service enables all participants, including in-network hospitals, manufacturers and distributors, to benefit from improved efficiency and reduced cost. Our supply chain management companies charge upstream suppliers and in-network hospitals (included in the management fee from hospitals) management fee, which is counted as other income from hospital management service.

2. Derived revenue from hospital group

The derived revenue from the hospital group represents the revenue derived from the Group's diversified business within the "Big Healthcare" strategy including but not limited to GPO business, physician company business, mobile medical business, combination of medical treatment and elderly care business and combination of medical treatment and insurance business. Currently, the derived revenue of the Group principally includes the revenue from the GPO business. It is expected that, subsequent to the year of 2017, the derived revenue of hospital group such as physician group business, UCC business, combination of medical treatment and elderly care business and combination of medical treatment and insurance business would be gradually realized.

(1) GPO (Group Purchasing Organization)

By unleashing the scale advantages of the hospital group and referring to the mature international GPO experience, our Group consolidates the procurement needs of medical and non-medical supplies of our in-network hospitals. With these consolidated needs, we negotiate with upstream manufactures and distributors, so as to significantly cut the purchase cost which constitute our derived revenue from GPO business. According to the regulations from the PRC government, medical institutions shall purchase pharmaceuticals and medical consumables at the "bidding price" stipulated by the local authorities. As a result, the benefit derived from our GPO model is not able to directly form the operating income of hospitals. Instead, it was presented as revenue of our Group's GPO platform, constituting the derived revenue from GPO business.

(2) Physician company

Leveraging our hospital network, internal physicians and external renowned experts, the Group established a physician company called Beijing Easylife, in order to realize its scale advantage and utilize various medical resources. Certain specialty physician groups under Beijing Easylife such as ophthalmology, traumatology, anorectology, pain management and traditional Chinese medicine had already been established. By providing consultation to certain departments of our in-network hospitals, the physician company enhance their service scale and operating results, thereby sharing the increased profit of these departments. It is expected that our physician company business will expand to external hospitals and generate revenue accordingly.

We are planning to expand the scale of our physician company business, by gathering physicians from both in-network hospitals and external hospitals, and directly investing in mature physician companies, and evolving into an innovative business system with extensive professional disciplines, broad service scope and adequate specialists. Under our physician partnership, the Group provides internal and external professionals a platform to promote their individual value and realize their financial benefit, from which our Group will greatly benefit from competent human resources, promotion of operation standards, extension of service scope and enhancement of profitability.

(3) UCC (Urgent Care Clinic)

Featured with the organization structure of "horizontal integration of chains and vertical integration of linkage", the Group has established the RIDS (Regional Integrated Delivery System) network leveraging the regional Grade III, Grade II, Grade I and in-network community clinics, thus establishing a new modernized clinic chain group, namely Beijing Phoenix Easylife Healthcare Clinical Management Co., Ltd. In order to increase local patients' accessibility and affordability for healthcare services covered by the RIDS system, UCC makes reference to the service charge of public community clinics and adopts the national healthcare insurance as the principal payment method. Through the expanded coverage of community healthcare services and the establishment of multi-level diagnostic and treatment system, we have introduced high-quality healthcare resources into the community clinics. The Group has thus become the key access to multi-level diagnostic and treatment and the gatekeeper of residents' health, which provides favorable pre-conditions for our development into the upstream and downstream sectors along the healthcare industry, such as medical insurance, rehabilitation, nursing and elderly care services.

(IV) Investment and development strategy

The year 2017 is a critical period when policies of deepening to divest auxiliary business from state-owned enterprises and healthcare reform converge are introduced. The "Work Notice on Accelerating to Divest Social Obligations and Historical Issues of State-owned Enterprises" (Guo Fa [2016] No.19)《國務院關於印發加快剝離國有企業辦社會職能和解決歷史遺留問題工作方案的通知》(國發[2016]19號) issued by the State Council of the PRC clearly states that "medical, education, municipal, fire safety, community management and other institutions established by state-owned enterprises shall be categorized and be divested by various ways including transfering, merging, restructuring or introducing professional management, government procurement services", which, or together with the centralized management, should be accomplished by the end of 2018". As a professional investment operation platform of the healthcare industry which enjoys the integrated benefit of both status backed by state-owned enterprises and market-oriented mechanism, the Group will firmly grasp the historical opportunities arising from the merger and acquisition of state-owned hospitals. Leveraging the first-mover advantages and the leading position in the industry, the Group will speed up the merger and acquisition and integration relying on its strong capability in post-investment management and mature management system on hospital groups, with an aim to further consolidate the leading position of Chinese hospital groups and broaden the gap with its market competitors. Meanwhile, the Group will continue to make systematic improvements on the existing hospitals operation so as to constantly enhance the operation quality and efficiency of in-network hospitals and effectively increase the operating income and derived revenue of hospital groups. The main development strategies include:

1. Focus on enhancing the standard of key disciplines

Based on our Group's six innovative clinical discipline development methodologies, including multi-level management of clinical disciplines, clinical human resources development, clinical academic development, clinical specialty disciplines development, clinical disciplines assessment and organization of clinical disciplines development, our Group fully utilizes its collective resources, and builds more clinical discipline platforms for internal medical experts, supports and duplicates our current key clinical disciplines. With the fast development of all clinical disciplines across the Group, we will focus on the development of our clinical brand disciplines, such as brain surgery, cancer center, cardiovascular, minimal invasive surgery and ophthalmology, etc.

2. Focus on reform on hospitals of state-owned enterprises and public hospitals

Our Group continues to regard hospitals of state-owned enterprises and public hospitals in key developed regions with large population as our primary targets of merger and acquisition, by way of shareholder reform or IOT model. We will consolidate our competitive advantage in China's healthcare market, and further expand our business and realize economies of scale.

3. Focus on developing of regional integrated delivery system (RIDS)

Healthcare services have typical regional attributes. In a relative closed region with concentrated population, the medical insurance payment standards are usually identical. Our expansion, collectivized and systematic management can only be realized by the integration of regional medical resources. Our Group will provide reliable, efficient, affordable and life-cycle healthcare services to the public by development of integrated healthcare service network, which consists of preliminary healthcare, treatment of acute disease and rehabilitation and nursing care. While realizing effective allocation of medical resources, the dependence and loyalty of patients accumulates, which will secure the long term and sound development of our Group.

4. Focus on developing high-quality industrial resources

Through establishing close partnership with medical schools, enterprises and external experts in various ways such as cooperation, joint venture and equity participation, the Group can exploit the resources advantage of its partners in areas such as technology, management, education, brand, talent and merger and acquisition, making a concerted effort in achieving a win-win situation. The Group plans to establish a flagship hospital within the next 5 years as our technology and resources platform, integrating medical, scientific research, education and information services, so as to guide and coordinate the development of our national resources and RIDS system, which would facilitate the overall enhancement of the Group's medical standards.

5. Focus on expanding international medical cooperation

In 2017, the Group will deepen the cooperation with internationally-renowned medical institutions on basis of the academic cooperation with Peking University Healthcare Science Centre and other quality academic resources. Through cooperation in terms of brand, technology, talent and education among the international healthcare market, the Group will enhance the brand image, academic standard and service capability of our in-network hospitals. In addition, the Group will actively identify high-quality overseas merger and acquisition projects so as to seek opportunities of resources integration from the international healthcare industry and achieve synergy with our PRC operation.

6. Focus on enhancing core competitive edges

With over 30 years' practice in healthcare service market as private capital, the Group has developed its five major competences of "understanding policy, capturing opportunities, solving problems, innovation and integrating into the market", which gradually shaped our unique and overwhelming core competitive edges, mainly being embodied as follows:

– adhering to the initial vision and sustainable entrepreneurship. Pursuing the entrepreneurship from the beginning, the Group has always been adhering to its initial vision and sustainable entrepreneurship over the past 30 year. Following the reorganization of China Resources and our Company, we cherish the year 2017 as the first year of our second venture, indicating our committed entrepreneurship and unshaken will of pursuing to be a time-honored medical brand and a perpetually sustainable company.

– organic integration of status backed by state-owned enterprises and market-oriented mechanism. The reorganization of China Resources and our Company achieved an effective upgrade of the Group's existing, highly effective and pragmatic market-oriented mechanism with the synergy of the brand, capital and industrial resources of large state-owned enterprises in China. This will significantly enhance the Group's core competitive edges including the capability in industrial merger and acquisition and resources integration.

– operating capability of hospital groups accumulated over the past 30 years. The Group's operating capability was built upon the long-term practice in hospital operation and management, as well as the competent hierarchy of hospital operation and management talents, sophisticated, standardized and modularized hospital post-investment management system.

– economies of scale and resources sharing within hospital groups. The Group established an operation system at the group level aiming to achieve economies of scale and resources sharing so as to carry out standardized management among in-network hospitals and pursue synergy. It aims at developing advantages in efficiency, quality and technology that outperforms individual hospitals, which in turn facilitate the flow of and sharing medical resources and management resources among in-network hospitals.

On December 28, 2016, Dr. Fu Yuning, the honorary chairman of the Group and the chairman of CR Holdings, designated the philosophy of "benefit all with benevolence and competence" (仁心仁術，康澤天下) for the Group, which highlights the devotion to social responsibility. The Group will adhere to the fundamental pursuit of medical profession which are benevolence and fully integrate its advantages in brand, resources, experience and teamwork to improve the diagnosis and treatment, operating efficiency and service quality of the existing medical institution network and provide patients with high quality healthcare services. The Group will fully unleash its experience in public hospital reform to rapidly expand its market presence by exploring various key regions across China, develop a regional and integrated high quality collaborative healthcare system and expand the scale of the healthcare industry. The Group will uphold the philosophy of "facilitating the development of healthy China with the efforts of market and industry". It adheres to the entrepreneurship strategy and constantly participates in the reform of public hospital system and institutions, aiming to achieve the goal of being a world-class healthcare group. Bearing the philosophy of establishing a time-honored brand and benefiting millions of people, the Group will also adhere to such benevolence together with the initial vision of entrepreneurship in pursuing excellence, thereby achieving a perpetually sustainable healthcare services business.

List of Medical Institutions under the Group's investment, management or contractual arrangement

Province	Grade III Hospital (Grade III)	Grade II Hospital (Grade II)	Grade I Hospital (Grade I)	Community and Medical Clinic (UCC)	Total
Beijing	2	6	11	36	55
Hebei	1	1			2
Jiangsu		1			1
Anhui	1	6	13	5	25
Hubei	2		3	13	18
Guangdong	1			1	2
Total	7	14	27	55	103

Operational Indicators of medical institutions managed by the Group

During the Review Period, medical institutions managed by the Group (Jian Gong Hospital, Yan Hua Hospital, Jing Mei Hospital Group, Mentougou Hospital, Mentougou Traditional Chinese Medicine Hospital, Mentougou Hospital for Women and Children, Shunyi District Konggang Hospital, the Second Hospital of Shunyi District, Baoding Third Centre Hospital, Guangdong 999 Brain Hospital, Wugang Hospital Group, Huaikuang Hospital Group, Xukuang Hospital and 999 Clinic) achieved a total revenue of RMB5.926 billion, representing a year-on-year organic increase of 7.4% (The total revenue of above-mentioned medical institutions amounted to RMB5.518 billion in 2015).

The total revenue of medical institutions managed by the Group in Beijing for the healthcare operation amounted to RMB3.339 billion and the total number of patient visits was 5,160,136, representing a year-on-year increase of 9.8%. The number of inpatient visits amounted to 73,062, representing a year-on-year increase of 13.5%. The number of outpatient visits amounted to 5,087,074, representing a year-on-year increase of 9.7%. The average spending per inpatient visit amounted to RMB16,850, representing a year-on-year decrease of 1.2% whereas the average spending per outpatient visit amounted to RMB400, representing a year-on-year increase of 2.8%. The average length of stay was 16.29 days, representing a year-on-year decrease of 12.4%. The number of beds in operation was 3,750, representing a year-on-year increase of 2.1%. The bed utilization rate was 88.0%, representing a year-on-year increase of 1.1%.

The total revenue of medical institutions managed by the Group outside Beijing for the healthcare operation amounted to RMB2.587 billion and the total number of patient visits was 2,613,837, representing a year-on-year increase of 1.6%. The number of inpatient visits amounted to 160,582, representing a year-on-year increase of 2.1%. The number of outpatient visits amounted to 2,453,255, representing a year-on-year increase of 1.6%. The average spending per inpatient visit amounted to RMB11,048, representing a year-on-year increase of 3.6%. The average spending per outpatient visit amounted to RMB286, representing a year-on-year decrease of 2.0%. The average length of stay was 11.56 days, representing a year-on-year decrease of 3.2%. The number of beds in operation was 6,134, representing a year-on-year increase of 1.4%. The bed utilization rate was 86.8%, representing a year-on-year decrease of 4.0%.

The following table sets forth the specific operating data of our medical institutions managed by the Group (Excluded physical examination)

1. Jian Gong Hospital

	Unit	2016	2015	Change
Patient visits	times	**838,934**	788,407	6.4%
Inpatient visits	times	**11,943**	11,689	2.2%
Outpatient visits	times	**826,991**	776,718	6.5%
Average spending per inpatient visit	RMB	**17,969**	19,177	(6.3)%
Average spending per outpatient visit	RMB	**454**	438	3.7%
Average length of stay	day	**9.5**	9.5	0.0%
Number of beds in operation	bed	**396**	407	(2.7)%

2. Yan Hua Hospital

	Unit	2016	2015	Change
Patient visits	times	**1,003,933**	953,279	5.3%
Inpatient visits	times	**17,921**	16,103	11.3%
Outpatient visits	times	**986,012**	937,176	5.2%
Average spending per inpatient visit	RMB	**16,883**	16,817	0.4%
Average spending per outpatient visit	RMB	**487**	467	4.3%
Average length of stay	day	**14.0**	15.1	(7.3)%
Number of beds in operation	bed	**663**	663	0.0%

3. Jing Mei Hospital Group

	Unit	2016	2015	Change
Patient visits	times	**1,249,674**	1,119,488	11.6%
Inpatient visits	times	**24,802**	21,302	16.4%
Outpatient visits	times	**1,224,872**	1,098,186	11.5%
Average spending per inpatient visit	RMB	**17,884**	17,956	(0.4)%
Average spending per outpatient visit	RMB	**443**	427	3.7%
Average length of stay	day	**24.9**	31.1	(19.9)%
Number of beds in operation	bed	**1,789**	1,742	2.7%

4. Mentougou Hospital

	Unit	2016	2015	Change
Patient visits	times	**717,410**	654,241	9.7%
Inpatient visits	times	**11,459**	10,036	14.2%
Outpatient visits	times	**705,951**	644,205	9.6%
Average spending per inpatient visit	RMB	**17,757**	17,207	3.2%
Average spending per outpatient visit	RMB	**367**	343	7.0%
Average length of stay	day	**11.9**	12.1	(1.7)%
Number of beds in operation	bed	**466**	466	0.0%

5. Mentougou Traditional Chinese Medicine Hospital

	Unit	2016	2015	Change
Patient visits	times	**568,895**	520,167	9.4%
Inpatient visits	times	**1,961**	1,585	23.7%
Outpatient visits	times	**566,934**	518,582	9.3%
Average spending per inpatient visit	RMB	**11,871**	10,441	13.7%
Average spending per outpatient visit	RMB	**347**	347	0.0%
Average length of stay	day	**14.2**	14.0	1.4%
Number of beds in operation	bed	**120**	120	0.0%

6. Mentougou Hospital for Women and Children

	Unit	2016	2015	Change
Patient visits	times	**146,499**	123,409	18.7%
Inpatient visits	times	**1,292**	687	88.1%
Outpatient visits	times	**145,207**	122,722	18.3%
Average spending per inpatient visit	RMB	**5,471**	3,975	37.6%
Average spending per outpatient visit	RMB	**236**	227	4.0%
Average length of stay	day	**5.7**	6.1	(6.6)%
Number of beds in operation	bed	**48**	27	77.8%

7. Shunyi District Konggang Hospital

	Unit	2016	2015	Change
Patient visits	times	**491,926**	406,564	21.0%
Inpatient visits	times	**3,222**	2,695	19.6%
Outpatient visits	times	**488,704**	403,869	21.0%
Average spending per inpatient visit	RMB	**10,743**	10,015	7.3%
Average spending per outpatient visit	RMB	**227**	234	(3.0)%
Average length of stay	day	**10.2**	11.3	(9.7)%
Number of beds in operation	bed	**168**	149	12.8%

8. The Second Hospital of Shunyi District

	Unit	2016	2015	Change
Patient visits	times	**142,865**	134,294	6.4%
Inpatient visits	times	**462**	306	51.0%
Outpatient visits	times	**142,403**	133,988	6.3%
Average spending per inpatient visit	RMB	**4,135**	4,964	(16.7)%
Average spending per outpatient visit	RMB	**258**	249	3.6%
Average length of stay	day	**8.5**	9.1	(6.6)%
Number of beds in operation	bed	**100**	100	0.0%

9. Baoding Third Centre Hospital

	Unit	2016	2015	Change
Patient visits	times	**37,368**	33,828	10.5%
Inpatient visits	times	**3,253**	3,415	(4.7)%
Outpatient visits	times	**34,115**	30,413	12.2%
Average spending per inpatient visit	RMB	**12,865**	13,979	(8.0)%
Average spending per outpatient visit	RMB	**295**	281	5.0%
Average length of stay	day	**16.2**	16.3	(0.6)%
Number of beds in operation	bed	**243**	243	0.0%

10. Guangdong 999 Brain Hospital

	Unit	2016	2015	Change
Patient visits	times	**218,167**	201,224	8.4%
Inpatient visits	times	**25,331**	25,427	(0.4)%
Outpatient visits	times	**192,836**	175,797	9.7%
Average spending per inpatient visit	RMB	**26,933**	24,032	12.1%
Average spending per outpatient visit	RMB	**832**	776	7.2%
Average length of stay	day	**14.4**	14.7	(2.0)%
Number of beds in operation	bed	**779**	776	0.4%

11. Wugang Hospital Group

	Unit	2016	2015	Change
Patient visits	times	**1,016,745**	1,031,169	(1.4)%
Inpatient visits	times	**53,739**	54,831	(2.0)%
Outpatient visits	times	**963,006**	976,338	(1.4)%
Average spending per inpatient visit	RMB	**8,653**	7,989	8.3%
Average spending per outpatient visit	RMB	**266**	295	(9.8)%
Average length of stay	day	**11.4**	11.7	(2.6)%
Number of beds in operation	bed	**1,877**	1,868	0.5%

12. Huaikuang Hospital Group

	Unit	2016	2015	Change
Patient visits	times	**1,192,499**	1,172,975	1.7%
Inpatient visits	times	**61,876**	57,848	7.0%
Outpatient visits	times	**1,130,623**	1,115,127	1.4%
Average spending per inpatient visit	RMB	**7,062**	7,783	(9.3)%
Average spending per outpatient visit	RMB	**206**	209	(1.4)%
Average length of stay	day	**10.6**	11.0	(3.6)%
Number of beds in operation	bed	**2,735**	2,765	(1.1)%

13. Xukuang Hospital

	Unit	2016	2015	Change
Patient visits	times	**129,888**	111,342	16.7%
Inpatient visits	times	**16,383**	15,767	3.9%
Outpatient visits	times	**113,505**	95,575	18.8%
Average spending per inpatient visit	RMB	**9,039**	8,183	10.5%
Average spending per outpatient visit	RMB	**340**	359	(5.3)%
Average length of stay	day	**10.4**	10.9	(4.6)%
Number of beds in operation	bed	**500**	400	25.0%

14. 999 Clinic

	Unit	2016	2015	Change
Patient visits	times	**19,170**	22,300	(14.0)%
outpatient visits	times	**19,170**	22,300	(14.0)%
Average spending per outpatient visit	RMB	**174**	183	(4.9)%

Financial Review

Segment Revenue

We derived revenue from our hospital and clinic network through the following four ways: (i) general healthcare services provided by Jian Gong Hospital and 999 Clinic, (ii) hospital management and consulting services where we manage and collect consulting/management fees from our not-for-profit hospitals/IOT hospitals and clinics, and the collective management of the Group's supply chain business, (iii) integrating purchase of medical supplies and non-medical supplies of affiliated hospitals (GPO business), and (iv) other hospital-derived services such as specialized medical consulting services.

General healthcare services

Revenue from our general healthcare services segment is derived from general healthcare services provided at Jian Gong Hospital and 999 Clinic. General healthcare services revenue mainly consists of fees generated from the provision of outpatient and inpatient services, including fees for healthcare services, pharmaceuticals, medical devices and medical consumables. The following table sets out the revenue, cost of sales and services and gross profit contributed by our general healthcare services segment during the periods indicated:

	Year ended December 31,	
	2016	2015
	(RMB'000)	*(RMB'000)*
Revenue	**600,892**	575,634
Cost of sales and services	**(512,598)**	(485,049)
Gross profit	**88,294**	90,585

Revenue from our general healthcare services segment reached RMB601 million, representing a year-on-year increase of 4.4% and accounted for 39.2% of our total revenue in FY2016 due to increase in total patient visits and average spending per outpatient visit of Jian Gong Hospital.

The cost of sales and services of our general healthcare services represents primarily costs of provision of healthcare services at Jian Gong Hospital and 999 Clinic, 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 general healthcare services grew to RMB513 million, representing a year-on-year increase of 5.7% which slightly surpassed the growth rate of revenue. This was mainly attributable to the higher costs of staff remuneration and medical devices by Jian Gong Hospital. As a result, the gross profit margin of our general healthcare services slightly declined to 14.7% (FY2015: 15.7%).

Hospital management and consulting services

We managed and operated a total of 100 not-for-profit hospitals, of which not-for-profit hospitals with sponsorship rights amounted to 45 in total, and a total of 55 hospitals managed and operated under the IOT model in FY2016. In return, we were entitled to receive from each hospital or the hospital sponsors consulting/management fees, primarily calculated on the basis of percentage of revenue and/or net income generated by the hospitals and clinics under our management. Accordingly, the consulting/management fees we receive depends on the performance of such hospital and clinic. For certain hospitals, our management fees are dependent on profitability and performance reviews.

Besides, according to the agreement between the Group and Hong Hui, the Group derived corresponding economic benefits by granting Hong Hui the priority to supply to the Group's three in-network hospitals and collectivized management of supply chain services.

The following table sets out the revenue, cost of sales and services, gross profit and other income of our hospital management and consulting services segment during the periods indicated:

	Year ended December 31,	
	2016	2015
	(RMB'000)	*(RMB'000)*
Revenue	**116,386**	72,112
Cost of sales and services	**(18,662)**	(17,389)
Gross profit	**97,724**	54,723
Other income	**50,399**	48,640
Total	**148,123**	103,363

Revenue from our hospital management and consulting services segment increased to RMB116 million, representing a year-on-year increase of 61.4% and accounted for 7.6% of our total revenue in FY2016. This was mainly attributable to the 2 months' management fee income of our hospitals as a result of the acquisition of Ample Mighty and the increase of the management fee income of hospitals managed under the IOT model.

	Year ended December 31,	
	2016	2015
	(RMB'000)	*(RMB'000)*
Not-for-profit hospitals with sponsorship rights,	**21,569**	–
Hospitals managed under the IOT model	**94,817**	72,112
Total	**116,386**	72,112

Our not-for-profit hospitals with sponsorship rights include Guangdong 999 Brain Hospital, Huaikuang Hospital Group, Xukuang Hospital and Wugang Hospital Group. Following the completion of the acquisition of Ample Mighty on October 31, 2016, we recorded consulting fee income from Guangdong 999 Brain Hospital, Huaikuang Hospital Group and Xukuang Hospital of Ample Mighty for the two-month period from November 1 to December 31, 2016 amounting to RMB21.57 million.

Our hospitals managed under the IOT model include Yan Hua Hospital Group, Jing Mei Hospital Group, Mentougou Hospital Group, Mentougou Traditional Chinese Medicine Hospital, Mentougou Hospital for Women and Children, Shunyi District Konggang Hospital, the Second Hospital of Shunyi District and Baoding Third Center Hospital. In 2016, the management fees of hospitals managed and operated under the IOT model amounted to RMB94.82 million, representing an increase of RMB22.71 million or 31.5% as compared to FY2015 as follows:

1. The management fee from Jing Mei Hospital Group was RMB42.06 million, representing an increase of RMB15.66 million over FY2015. This was mainly due to the significantly increased patient visits and higher average spending per patient visit of the hospital with the commissioning of new equipment and the opening of new in-patient building, which contributed to increased revenue and gross profit. Meanwhile, with the further promotion of the delicacy management, the enhanced cost control has contributed to the significant increase in net profit, which in turn greatly increased our management fees.

2. The management fee from Yan Hua Hospital Group was RMB35.80 million, representing an increase of RMB4.03 million over FY2015. In 2016, the number of total patient visits at Yan Hua Hospital Group increased as compared to FY2015 whereas the average spending per outpatient and inpatient visit remained stable with a relatively stable gross profit margin, the gross profit therefore increased. Yan Hua Hospital Group also successfully and effectively controlled its operating expenses and other costs, thereby leading to an increase in net profit, which in turn increased our management fees.

3. The total management fee from Shunyi District Konggang Hospital, the Second Hospital of Shunyi District and Baoding Third Center Hospital amounted to RMB5.54 million (FY2015: Nil). Shunyi District Konggang Hospital and the Second Hospital of Shunyi District have only generated management fee income since 2016 as both of them were newly invested IOT hospitals in 2015. Baoding Third Center Hospital was newly invested in September, 2016, which has generated management fee income for three months.

4. The total management fee from Mentougou Hospital, Mentougou Traditional Chinese Medicine Hospital and Mentougou Hospital for Women and Children was RMB11.42 million, representing a decrease of RMB2.52 million over FY2015. On April 28, 2016, the Group signed the "2016-2020 Cooperation Agreement for reform and development of Public Medical Institutions in Mentougou of Beijing" (《關於北京市門頭溝區公立醫療機構2016-2020年改革發展合作協定》) with Beijing Mentougou People's Government. The calculation method of management fee has been changed, which had a negative impact on the management fee income in 2016. Both the total patient visits and average spending per inpatient visit increased at the hospitals, which led to an increase in both revenue and gross profit margin with satisfactory operations.

The cost of sales and services of the Group's hospital management services were the amortization of operating rights under IOT agreements, amounting to RMB18.66 million in FY2016, representing a year-on-year increase of 7.3% due to (i) the first full year amortization for the investment of RMB100 million in Shunyi District Konggang Hospital and the Second Hospital of Shunyi District in July 2015, and (ii) the three-month amortization during the year for the investment of RMB32 million in Baoding Third Center Hospital in September 2016.

Due to the acquisition of Ample Mighty, the higher gross profit margin of newly organized not-for-profit hospitals of the Group and the growth in revenue outpaced the increase in cost of sales and services, the gross profit margin of the hospital management services segment of the Group significantly improved to 84.0% (FY2015: 75.9%).

GPO business

Revenue from our GPO business segment is primarily derived from integrating purchase of medical supplies and non-medical supplies of our in-network hospitals. The following table sets out the revenue, cost of sales and services and gross profit of our GPO business segment during the periods indicated:

	Year ended December 31,	
	2016	2015
	(RMB'000)	*(RMB'000)*
Revenue(before inter-segment elimination)	**1,011,334**	925,442
Cost of sales and services	**(791,825)**	(741,168)
Gross profit	**219,509**	184,274

Revenue from the GPO business segment of the Group (before inter-segment elimination) increased to RMB1,011 million, representing an increase of 9.3% over FY2015. After the inter-segment revenue from sales to Jian Gong Hospital in the amount of RMB201 million was eliminated against total revenue, the revenue from our GPO business segment accounted for 52.9% of our total revenue in FY2016.

The cost of sales and services of the GPO business segment of the Group represents the procurement costs of purchasing medical supplies and non-medical supplies from upstream manufacturers and distributors. In FY2016, the cost of sales and services generated from the Group's GPO business segment amounted to RMB792 million, representing a year-on-year increase of 6.8% over FY2015.

In FY2016, due to better cost control, the gross profit margin of the GPO business segment of the Group increased to 21.7% (FY2015: 19.9%).

Other hospital-derived services

Revenue from the other hospital-derived services segment of the Group in 2016 was primarily derived from the provision of advisory services on specialized medical technology to business cooperators based on our hospital network resources.

The following table sets out the revenue, cost of sales and services and gross profit of our other hospital-derived services segment during the periods indicated:

	2016 *(RMB'000)*	2015 *(RMB'000)*
Revenue	**5,043**	–
Cost of sales and services	**(3,937)**	–
Gross profit	**1,106**	–

Revenue from the other hospital-derived services segment of the Group reached RMB5.04 million, accounting for 0.3% of our total revenue in FY2016. The cost of sales and services of the other hospital-derived services segment of the Group mainly represents labour costs.

Gross Profit

In FY2016, the gross profit of the Group amounted to RMB407 million in aggregate, representing a year-on-year increase of 23.4%. Due to the relatively significant increase in profit and gross profit margin contributed by the Group's hospital management services segment and GPO business segment, the aggregate gross profit margin increased to 26.5% (FY2015: 24.0%).

Other Income

Other income amounted to RMB93.18 million, representing a year-on-year decrease of 6.0%, mainly due to the decrease in interest on bank deposits and investment income from financial products.

Other Gains and Losses

Other losses amounted to RMB1,729 million, predominantly due to the one-off goodwill impairment of RMB1,727 million resulted from the acquisition of Ample Mighty. The impairment loss on goodwill was purely an accounting treatment as required under the IFRSs and was a non-cash one-time profit or loss item in the income statement which will have no impact on the Group's daily operations and cash flow. For details, please refer to the Company's announcement dated January 25, 2017.

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to RMB24.13 million, representing a year-on-year increase of 127.5%, primarily due to the increase in staff costs.

Administrative Expenses

The administrative expenses incurred by the Group amounted to RMB148 million, representing a year-on-year increase of 6.2%, primarily due to the increase in staff costs.

Other Expenses

Other expenses amounted to approximately RMB35.63 million, which was mainly comprised of the professional consulting service charges of RMB30.06 million incurred by China Resources and CITIC restructuring projects in 2016.

Income Tax Expense

In FY2016, the Group's loss before tax amounted to RMB1,452 million. Excluding the goodwill impairment of RMB1,727 million resulted from the acquisition of Ample Mighty, the profit before tax amounted to RMB275 million, representing an increase of 10.9% as compared to the corresponding period of 2015. Nevertheless, with the increase in income that is not taxable for PRC enterprise income tax, the profit before tax amounted to approximately RMB47.33 million, representing a decrease of 37.4% from FY2015.

Net Profit

In FY2016, loss attributable to shareholders amounted to RMB1,507 million. Excluding two major non-recurring profit or loss items (i.e. the one-time goodwill impairment of RMB1,727 million resulted from the acquisition of Ample Mighty and the professional consulting service charges of RMB30.06 million incurred by China Resources and CITIC restructuring projects in 2016), the profit attributable to shareholders amounted to RMB250 million, representing an increase of 28.9% as compared to the net profit for FY2015 (excluding non-recurring profit or loss items), which was mainly attributable to the increase in profit from hospital management services and GPO business.

Net Current Assets Position

As at December 31, 2016, the net current assets position of the Group was RMB902 million (December 31, 2015: RMB904 million) with no significant change.

Significant Investments, Acquisitions and Disposals, Investments in and Receivables from JV Company and Subsequent Plans for Material Capital Investments

As of December 31, 2016, the Group's balance of short-term investments was approximately RMB66.4 million, all of which were short-term financial products operated by banks.

Acquisition of Huizhou Hospital and Hangzhou Hospitals

On May 3, 2016, the Group and CITIC entered into a binding term sheet, and entered into a sales and purchase agreement on October 28, 2016, pursuant to which the Group proposed to issue 130,571,837 consideration shares to CITIC at the price of HK$9.50 per consideration share for the acquisition of 60% equity interest of Huizhou Hospital (owned as to 60% by CITIC) and 70% equity interest of Hangzhou Hospitals (a wholly-owned subsidiary of CITIC), at a consideration of HK$1,240,432,453. Through the acquisition, the Group acquired a huge portion of the assets, equity and operation rights of Huizhou Hospital and Hangzhou Hospitals.

The acquisition of Huizhou Hospital and Hangzhou Hospitals is not yet completed and the Company will keep the Shareholders informed regarding the acquisition progress.

Acquisition of Ample Mighty

On April 8, 2016 and April 29, 2016, the Group and CR Healthcare Group entered into a binding term sheet and supplemental term sheet, and entered into a sales and purchase agreement on August 30, 2016, pursuant to which the Group proposed to issue 462,913,516 consideration shares to CR Healthcare Group at the price of HK$8.04 per consideration share for the acquisition of 100% equity interest in Ample Mighty, a wholly-owned subsidiary of CR Healthcare Group at a consideration of HK$3,721,824,669. Through the acquisition, the Group acquired the assets, equity interests and operation rights of 46 medical institutions including 3 elderly care institutions of Ample Mighty.

The Company convened the extraordinary general meeting on October 31, 2016 to approve the entering into of the sales and purchase agreement between the Group and CR Healthcare Group and the issue and allotment of consideration shares to CR Healthcare Group pursuant to the terms and conditions of the sales and purchase agreement. As a result, all the conditions under the sales and purchase agreement were satisfied and the completion took place on October 31, 2016. A total of 462,913,516 consideration shares were duly allotted and issued to a wholly-owned subsidiary of CR Healthcare Group, which represents 35.7% of the issued share capital of the Company and Ample Mighty became an indirect wholly-owned subsidiary of the Company.

Investment in Baoding Third Centre Hospital

On September 15, 2015, the Company and Baoding Third Centre Hospital entered into a master agreement regarding cooperation (the "Master Agreement"). The period of the cooperation is 20 years from 2015 to 2035 and the total investment is RMB70 million. Pursuant to the Master Agreement and based on the development needs of Baoding Third Centre Hospital, the Company made an initial investment of RMB32 million on September 29, 2016. During the period of the cooperation, Baoding Third Centre Hospital will offer the Company a fixed return on investment principal per annum as investment return. In addition, the Company is entitled to a reasonable return in the form of management fees from Baoding Third Center Hospital based on the operations appraisal to be performed by the Baoding Government against Baoding Third Centre Hospital. Please refer to the announcement of the Company dated 15 September 2015 for details.

Investment in UMP Phoenix Healthcare Limited

On July 13, 2015, True Point, UMP Healthcare Holdings, UMP China, the Company, Pinyu and UMP Phoenix Healthcare Limited entered into a shareholders' agreement, pursuant to which each of the Group and UMP Healthcare Holdings advanced an interest-free shareholder's loan of RMB24.25 million to UMP Phoenix Healthcare Limited. According to the announcement of UMP Healthcare Holdings dated September 27, 2016, such shareholders' loans have been capitalised and converted into new shares allotted and issued to each of the Group and UMP Healthcare Holdings on a pro-rata basis.

As of December 31, 2016, UMP Phoenix Healthcare Limited was held as to 50% by Pinyu and 50% by UMP China, the investment in UMP Phoenix Healthcare Limited was accounted under the equity method and the balance of the investment was approximately RMB7.49 million.

According to the announcement of UMP Healthcare Holdings dated December 15, 2016, UMP Healthcare Holdings will, through UMP China, subscribe for 6,668 shares in UMP Phoenix Healthcare Limited, at a consideration of RMB32.33 million. UMP Phoenix Healthcare Limited shall be renamed as UMP Healthcare (Beijing) Group Limited. Immediately after the completion of the subscription, UMP Phoenix Healthcare Limited will be owned as to 70% by UMP China and 30% by the Group and will become a non-wholly-owned subsidiary of the UMP Healthcare Holdings. On February 27, 2017, the transaction had been approved by the extraordinary general meeting of UMP Healthcare Holdings.

Capital Expenditures

The capital expenditures of the Group primarily consist of the expenditures in respect of acquisition of property, plant and equipment and investment amount by the Group to IOT hospitals and clinics as well as the investment amount by the Group to associates and joint ventures. The amount of capital expenditures of the Group were approximately RMB89.45 million during FY2016, primarily consisted of the investment of RMB15 million in JV Company, the investment of RMB32 million in Baoding Third Center Hospital, and purchase of property, plant and equipment amounting to RMB42.45 million.

Indebtedness

Contingent Liabilities

As at December 31, 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.

Exposure to Fluctuation in Exchange Rates

The Group undertakes certain operating transactions in foreign currencies, which exposes 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 considers hedging against significant foreign exchange 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 loan to a sponsored hospital and cash flow interest risk in relation to variable-rate bank balances, which carry prevailing market interest rates and short-term investments.

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

Pledge of Assets

The Syndicated Loan Agreement, which was entered into by the Group on February 4, 2015, has been terminated on January 15, 2016 and the procedures for discharging of charges and pledges were completed on June 30, 2016. As of December 31, 2016, the Group did not have any material pledge of assets.

Contractual Obligations

As at December 31, 2016, the Group did not have any significant contractual obligations that would have a material effect on the financial position or operations of the Group.

Financial Instruments

The Group's major financial instruments include trade receivables, amounts due from related parties, loan to a sponsored hospital, other receivables, certificate of deposit, cash and cash equivalents, receivables from IOT Hospitals, short-term investments, trade payables, amount due to related parties, payables to hospitals sponsored by the Group and other payables. The risks associated with these financial instruments include market risk, credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Gearing Ratio

As at December 31, 2016, on the basis of total interest-bearing liability (excluding payables to hospitals sponsored by the Group) divided by total assets, the Group's gearing ratio was nil (FY2015: nil).

Employee and Remuneration Policy

As at December 31, 2016, the Group had a total of 1,010 full time employees (December 31, 2015: 895 employees). For FY2016, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB240 million (FY2015: RMB210 million).

The Group ensures that the remuneration packages of its employees remain competitive and the remuneration level of its employees is determined on the basis of performance with reference to the profitability of the Group, prevailing remuneration standards in the industry and market conditions within the general framework of the Group's remuneration system. The remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board, having regard to the relevant Director's experience, responsibility, workload and time devoted to the Group, the Company's operating results and comparable market statistics.

The Company has also adopted the Share Option Scheme and the Share Award Scheme to provide incentives or rewards to eligible participants for their contribution or potential contribution to the Company and/or any of its subsidiaries.

Final Dividend

The Board proposes to pay a final dividend of HK$6.3 cents (equivalent to RMB5.6 cents) per Share for FY2016 (FY2015: final dividend: nil; special dividend: HK$12 cents per Share). The proposed final dividend will be payable to Shareholders whose names appear on the register of members of the Company on Tuesday, June 27, 2017. Based on the number of Shares in issue of the Company as of December 31, 2016, the total amount of dividends is approximately HK$82 million. Subject to the approval by Shareholders at the annual general meeting to be held on Friday, June 16, 2017, it is expected that the final dividend will be distributed on or before July 30, 2017.

OTHER INFORMATION

Annual General Meeting

The 2017 annual general meeting (the "AGM") of the Company will be held on Friday, June 16, 2017. A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

Closure of Register of Members

For determining the entitlement to attend and vote at the AGM to be held on Friday, June 16, 2017, the register of members of the Company will be closed from Tuesday, June 13, 2017 to Friday, June 16, 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify as members entitled to attend and vote at the AGM, investors should lodge all transfers of shares accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Monday, June 12, 2017.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, June 23, 2017 to Tuesday, June 27, 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. (Hong Kong time) on Thursday, June 22, 2017.

Corporate Governance Practices

The Board is dedicated to establishing a sound corporate governance system for ensuring the formality and transparency of the procedures while safeguarding the interests of the Shareholders.

The Company has applied the principles as set out in the CG Code as its own code of corporate governance and confirms that it has complied with all material code provisions, save for certain deviations as described below and most of the recommended best practices under the CG Code during the year ended December 31, 2016.

According to code provision A.1.1 of the CG Code, regular Board meetings should be held at least four times a year at approximately quarterly intervals. During the year ended December 31, 2016, there were only two regular Board meetings held to review and consider the interim results and the annual results, respectively as the Company is not required to announce its quarterly results under the Listing Rules.

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive 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 and the Chief Executive Officer. The Board believes that vesting the roles of both the Chairman 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 April 25, 2016, Mr. Liang resigned as the Chairman and remained as the Chief Executive Officer. Ms. Xu Jie, an executive Director, has been appointed as the Chairman with effect from April 25, 2016. Since then, the roles of the chairman of the Board and the 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.

The Chairman has been changed to Mr. Wang Yin with effect from November 25, 2016 and the vice Chairman is Mr. Cheng Libing since November 25, 2016. Mr. Liang Hongze resigned as an executive Director and the Chief Executive Officer and has been redesignated as a non-executive Director on November 25, 2016. Mr. Zhang Xiaodan was appointed as the Chief Executive Officer on November 25, 2016 and subsequently resigned as an executive Director and the Chief Executive Officer on December 28, 2016. Mr. Wu Potao was appointed as the Chief Executive Officer on December 28, 2016.

The Company will review and commit in making necessary arrangement to comply with all the code provisions under the CG Code and the rising expectations of Shareholders and investors.

Further information of the corporate governance practices of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended December 31, 2016.

Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors on terms no less exacting than the required standard set out in the Model Code.

Having made specific enquiry, the Company confirmed that all members of the Board complied with the Model Code during the year ended December 31, 2016. As senior management, executives and officers may possess inside information of the Company due to their positions, they shall comply with the provision of the Model Code. To the best knowledge of the Company, no incident of non-compliance with the Model Code has been committed by such employees during the year ended December 31, 2016.

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended December 31, 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company established the Audit Committee in accordance with Rule 3.21 of the Listing Rules and the CG Code on November 4, 2013. Its primary responsibilities include serving as a focal point for communication among other Directors, the external auditor and the internal auditor (where an internal audit function exists) as regards their duties relating to financial and other reporting, risk management and internal controls, external and internal audits and such other financial and accounting matters as the Board determines from time to time, assisting the Board in providing an independent review on the effectiveness of the financial reporting system, risk management and internal control systems of the Group and overseeing the audit procedure, reviewing the Group's financial and accounting policies and practices and performing other duties and responsibilities as designated by the Board.

The Audit Committee currently comprises 1 non-executive Director, namely Mr. Wang Yan and 3 independent non-executive Directors, namely Mr. Kwong Kwok Kong (committee chairman), Ms. Cheng Hong and Mr. Sun Jianhua. The Audit Committee, together with the management of the Company, has reviewed the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning risk management and internal control, auditing and financial reporting matters and reviewed the annual results and the consolidated financial statements of the Group for the year ended December 31, 2016.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.crphoenix.hk), and the 2016 annual report of the Company containing all the information required by the Listing Rules will be dispatched to the Shareholders and made available on the above websites in due course.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	**For the year ended 31 December 2016** *RMB'000*	2015 *RMB'000*
Revenue	*4*	**1,532,831**	1,372,267
Cost of sales and services		**(1,126,198)**	(1,042,686)
Gross profit		**406,633**	329,581
Other income	*6*	**93,184**	99,090
Other gains and losses	*7*	**(1,728,693)**	1,394
Selling and distribution expenses		**(24,128)**	(10,605)
Administrative expenses		**(147,934)**	(139,316)
Finance costs	*8*	**(342)**	(27,375)
Other expenses	*9*	**(35,625)**	(3,000)
Share of (loss) profit of an associate		**(241)**	1,008
Share of loss of joint ventures		**(15,335)**	(2,809)
(Loss) profit before tax		**(1,452,481)**	247,968
Income tax expense	*10*	**(47,331)**	(75,554)
(Loss) profit for the year	*11*	**(1,499,812)**	172,414
Other comprehensive income (expense) for the year			
Items that may not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension plans *(Note 27)*		**(20,332)**	–
Items that may be reclassified subsequently to profit or loss:			
Share of exchange differences of an associate and a joint venture		**10,220**	6,759
Total comprehensive income (expense) for the year		**(1,509,924)**	179,173
(Loss) profit for the year attributable to:			
Equity holders of the Company		**(1,506,964)**	167,045
Non-controlling interests		**7,152**	5,369
		(1,499,812)	172,414
Total comprehensive (expense) income attributable to:			
Equity holders of the Company		**(1,513,010)**	173,804
Non-controlling interests		**3,086**	5,369
		(1,509,924)	179,173
(Loss) earnings per share			
– basic (RMB yuan per share)	*12*	**(1.67)**	0.20
– diluted (RMB yuan per share)	*12*	**(1.67)**	0.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	Notes	**2016** *RMB'000*	2015 *RMB'000*
Non-current assets			
Property, plant and equipment		**264,292**	145,223
Intangible assets	*14*	**2,132,362**	404,569
Receivables from invest-operate-transfer ("IOT") hospitals	*15*	**113,004**	103,059
Lease prepayments for land use right	*16*	**143,720**	147,095
Goodwill	*17*	**1,463,611**	–
Interest in an associate	*18*	**163,338**	154,995
Interests in joint ventures	*19*	**513,648**	–
Loan to a joint venture	*19*	**–**	6,361
Deferred tax assets		**–**	300
		4,793,975	961,602
Current assets			
Inventories	*20*	**50,241**	42,322
Loan to a sponsored hospital		**47,761**	–
Trade receivables	*21*	**255,924**	137,620
Prepayments and other receivables	*22*	**43,533**	42,887
Amounts due from related parties		**68,228**	57,500
Short-term investments	*23*	**66,400**	74,990
Certificate of deposit	*24*	**52,806**	116,684
Cash and cash equivalents	*24*	**1,069,468**	821,864
		1,654,361	1,293,867
Current liabilities			
Trade payables	*25*	**242,757**	209,543
Other payables	*26*	**120,655**	59,567
Amounts due to related parties		**6,914**	–
Payables to hospitals sponsored by the Group (the "Sponsored Hospitals")		**369,344**	–
Tax payables		**12,678**	36,880
Dividends payable		**–**	83,823
		752,348	389,813
Net current assets		**902,013**	904,054
Total assets less current liabilities		**5,695,988**	1,865,656

	Notes	**2016**	2015
		RMB'000	*RMB'000*
Non-current liabilities			
Retirement benefit obligations	*27*	**19,578**	2,924
Deferred tax liability		**318,880**	–
		338,458	2,924
Net assets		**5,357,530**	1,862,732
Capital and reserves			
Capital	*31*	**267**	166
Share premium		**6,365,946**	1,382,736
Reserves		**(1,127,834)**	364,976
Equity attributable to equity holders of the Company		**5,238,379**	1,747,878
Non-controlling interests		**119,151**	114,854
Total equity		**5,357,530**	1,862,732

1. GENERAL INFORMATION

China Resources Phoenix Healthcare Holdings Company Limited (formerly known as Phoenix Healthcare Group Co. Ltd) (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 28 February 2013. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 29 November 2013. The registered office of the Company is 4th Floor, Harbour Place, 103 South Church Street, 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.

On 31 October 2016 (the "Acquisition Date"), Pinyu Limited ("Pinyu"), an indirect wholly-owned subsidiary of the Company, acquired the entire share capital of Ample Mighty Limited ("Ample Mighty") and its subsidiaries from China Resources Healthcare Group Limited ("CR Healthcare"). Upon completion of the acquisition of Ample Mighty and its subsidiaries (the "Acquisition"), the name of the Company has been changed from "Phoenix Healthcare Group Co. Ltd" ("鳳凰醫療集團有限公司") to "China Resources Phoenix Healthcare Holdings Company Limited" ("華潤鳳凰醫療控股有限公司").

The Company and its subsidiaries (the "Group") are mainly engaged in provision of general healthcare services, provision of hospital management and consulting services, group purchasing organization ("GPO") business and other hospital-derived services in Mainland China.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB").

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statement
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to IFRSs 2012- 2014 Cycle

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

(i) has power over the investee;

(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and

(iii) has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition- related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 Employee Benefits at the acquisition date (see accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non- controlling interests are measured at their fair value.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

4. REVENUE

Revenue represents income from general healthcare services, hospital management and consulting services, and sale of pharmaceuticals, medical devices and medical consumables under the GPO business, and professional medical consultation services under other hospital-derived services.

An analysis of the Group's revenue for the year is as follows:

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
General healthcare services	**600,892**	575,634
Hospital management and consulting services	**116,386**	72,112
GPO business	**810,510**	724,521
Other hospital-derived services	**5,043**	–
	1,532,831	1,372,267

5. SEGMENT INFORMATION

The Board 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 for each operating company separately. Accordingly, each operating company is identified as an operating segment. Certain operating companies are aggregated for segment reporting purpose after taking into account that those operating companies are operating in similar business model with similar target group of customers, similar methods used to distribute their products and under the same regulatory environment.

Before the completion of the Acquisition, the Group presented its reportable segments based on its internal organisations as follows,

(i) General hospital services

Revenue from this segment is mainly derived from hospital services provided at Beijing Jian Gong Hospital Co., Ltd (北京市健宮醫院有限公司) ("Jian Gong Hospital").

(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 to Jian Gong Hospital, the IOT Hospitals and external customers.

Upon the completion of the Acquisition in the current year, the Company restructured its internal organisations. The fee income from Hong Hui Pharmaceutical Co., Ltd. (紅惠醫藥有限公司) ("Hong Hui") and other suppliers arranged by Hong Hui was grouped as part of the hospital management services under hospital management and consulting services segment, which was previously grouped under the supply chain business segment. In addition, "general hospital services" segment and "supply chain business" segment were renamed as "General healthcare services" segment and "GPO business" segment, respectively. The reportable segments are changed as follows:

(i) General healthcare services

Revenue from this segment is mainly derived from hospital services provided at Jian Gong Hospital and 999 Medical Clinic (Shenzhen) Co., Ltd ("999 Clinic") ("三九醫療門診部（深圳）有限責任公司").

(ii) Hospital management and consulting services

The Group provides comprehensive management and consulting services to IOT Hospitals and Sponsored Hospitals and receives from each IOT Hospital and each Sponsored Hospital an annual fee. The Group also receives fee income from Hong Hui and other suppliers arranged by Hong Hui.

(iii) GPO business

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

(iv) Other hospital-derived services

It mainly represented professional medical consultation service provided to third parties.

In preparation of the consolidated financial statements, the segment information for the year ended 31 December 2015 has been restated to conform with the current year presentation.

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

Segment revenue and results

	General healthcare services *RMB'000*	Hospital management and consulting services *RMB'000*	GPO business *RMB'000*	Other hospital-derived services *RMB'000*	Total *RMB'000*
For year ended 31 December 2016					
External revenues	**600,892**	**116,386**	**810,510**	**5,043**	**1,532,831**
Inter-segment revenue	**–**	**–**	**200,824**	**–**	**200,824**
Segment revenue	**600,892**	**116,386**	**1,011,334**	**5,043**	**1,733,655**
Eliminations					**(200,824)**
Consolidated revenue					**1,532,831**
Segment results	**39,241**	**116,797**	**177,553**	**946**	**334,537**
Share of loss of an associate					**(241)**
Unallocated share of loss of a joint venture					**(13,547)**
Unallocated interest and investment income					**25,004**
Impairment loss on goodwill					**(1,727,499)**
Share-based payment expense					**(23,298)**
Finance cost					**(342)**
Foreign exchange gain					**2,016**
Other unallocated expense					**(49,111)**
Loss before tax					**(1,452,481)**

	General healthcare services *RMB'000*	Hospital management and consulting services *RMB'000*	GPO business *RMB'000*	Total *RMB'000*
For year ended 31 December 2015 (restated)				
External revenues	575,634	72,112	724,521	1,372,267
Inter-segment revenue	–	–	200,921	200,921
Segment revenue	575,634	72,112	925,442	1,573,188
Eliminations				(200,921)
Consolidated revenue				1,372,267
Segment results	40,204	95,500	159,549	295,253
Share of profit of an associate				1,008
Gain on deemed disposal of an associate				5,163
Unallocated share of loss of a joint venture				(2,809)
Unallocated interest and investment income				38,257
Share-based payment expense				(41,762)
Finance cost				(27,375)
Foreign exchange loss				(3,397)
Other unallocated expense				(16,370)
Profit before tax				247,968

6. OTHER INCOME

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Fee income from suppliers	**50,399**	48,640
Interest and investment income on:		
financial products	**21,951**	33,828
receivables from IOT Hospitals	**13,163**	10,306
bank deposits	**3,053**	4,429
loan to a sponsored hospital	**468**	–
Government grant	**40**	4
Others	**4,110**	1,883
	93,184	99,090

7. OTHER GAINS AND LOSSES

	For the year ended 31 December 2016 RMB'000	2015 RMB'000
Foreign exchange gain (loss)	**2,016**	(3,397)
Impairment losses on goodwill *(Note 17)*	**(1,727,499)**	–
Fair value changes of mutual funds	**(2,645)**	(156)
Loss on disposal of property, plant and equipment	**(565)**	(216)
Gain on deemed disposal of an associate *(Note 18)*	**–**	5,163
	(1,728,693)	1,394

8. FINANCE COSTS

	For the year ended 31 December 2016 RMB'000	2015 RMB'000
Transaction cost of the syndicated loan *(Note)*	**–**	27,375
Interests on payables to the Sponsored Hospitals	**342**	–
	342	27,375

Note: On 4 February 2015, the Company as borrower entered into the syndicated loan agreement under which the Company was granted a facility in the aggregate sum of US$150 million, with a repayment term of 3 years (which is extendable for another 2 years after the initial 3-year term), the interest rate of which is determined with reference to the three-month LIBOR plus 3.15% per annum ("Syndicated Loan Agreement"). The syndicate under the Syndicated Loan Agreement is led by Deutsche Bank AG, with participation from a consortium of other banks (the "Lenders"). The facility will be guaranteed by existing offshore subsidiaries and future offshore subsidiaries of the Company and secured by first priority perfected security interests over 100% of the shares of the subsidiaries and etc. in favour of the security agent on behalf of the Lenders. Due to the instability of the foreign exchange market in 2015, the Directors decided to terminate the Syndicated Loan Agreement with the Lenders by a friendly negotiation in advance. The loan has never been drawn down. Transaction cost in relation to the syndicated loan amounting to RMB27,375,000 has been recognised in the profit or loss for the year ended 31 December 2015. As the Syndicated Loan Agreement was terminated, the procedures for discharging the above charges and pledges were completed in 2016.

9. OTHER EXPENSES

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Transaction cost in relation to major transactions	**30,063**	–
Medical disputes expenditure	**199**	933
Donation	**5,000**	2,030
Others	**363**	37
	35,625	3,000

10. INCOME TAX EXPENSE

Income tax expense recognised in profit or loss:

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current tax:		
PRC enterprise income tax ("EIT")	**47,240**	74,508
Deferred tax	**91**	1,046
Total income tax recognised in profit or loss	**47,331**	75,554

The PRC subsidiaries of the Group are subject to EIT at 25% during both years.

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax during both years.

The tax charge for the year can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
(Loss) profit before tax	**(1,452,481)**	247,968
Tax calculated at statutory tax rates of 25% (2015:25%)	**(363,120)**	61,992
Tax effect of share of loss (profit) of an associate	**60**	(252)
Tax effect of share of loss of joint ventures	**3,834**	702
Tax effect of different tax rates on intra-group interest income/interest expense	**–**	(2,745)
Tax effect of income not taxable for tax purpose	**(39,457)**	(1,291)
Tax effect of expenses not deductible for tax purposes	**436,807**	10,933
Effect of different tax rates of overseas companies	**14,669**	6,215
Utilisation of tax losses previously not recognised	**(5,462)**	–
Income tax expense	**47,331**	75,554

11. (LOSS) PROFIT FOR THE YEAR

The Group's (loss) profit for the year has been arrived at after charging:

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**28,495**	23,873
Amortisation of lease prepayments for land use right	**3,375**	3,375
Amortisation of intangible assets (Included in cost of sales and services)	**19,146**	17,389
Total depreciation and amortisation	**51,016**	44,637
Cost of inventories recognised as expense	**947,386**	884,112
Operating lease rentals in respect of rented premises	**4,309**	4,911
Directors' emoluments	**21,197**	15,676
Other staff cost		
Salaries and other allowances	**182,075**	149,541
Retirement benefit contributions	**13,133**	10,986
Equity-settled share-based payment expense	**23,298**	33,582
Total staff costs	**239,703**	209,785
Auditor's remuneration	**3,350**	2,500

12. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the equity holders of the Group is based on the following data:

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Earnings		
(Loss) profit for the purpose of basic and diluted (loss) earnings per share for the year attributable to equity holders of the Company	**(1,506,964)**	167,045
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share (in thousands)	**901,557**	818,737
Effect of dilutive potential ordinary shares:		
Non-vested shares under Share Award Scheme (in thousands)	**N/A**	609
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share (in thousands)	**901,557**	819,346

The weighted average number of shares used for the purpose of calculating the basic (loss) earnings per share for the year ended 31 December 2016 and 2015 has been arrived at after adjusting the effect of shares repurchased and held by the Company's Share Award Scheme.

The computation of diluted loss per share for the year ended 31 December 2016 does not assume the conversion of the Company's outstanding non-vested shares under Share Award Scheme since their exercise would result in a decrease in loss per share for the year ended 31 December 2016.

13. DIVIDENDS

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Dividends recognised as distributions during the year:		
2014 Final – HK$5 cents per share *(Note i)*	–	32,506
2015 special dividend *(Note ii)*	–	82,573
	–	115,079

Notes:

(i) On 13 May 2015, the Board resolved that the proposed final dividend for the year ended 31 December 2014 was revised to HK$0.05 per ordinary share of the Company with total dividends of approximately RMB32,904,000, instead of HK$0.17 per ordinary share to the shareholders whose names appear on the register of members of the Company on 12 June 2015. This proposed resolution was duly passed by the shareholders of the Company by way of poll at the annual general meeting of the Company held on 4 June 2015. The Trustee hold the dividends of the treasury share of approximately RMB398,000.

(ii) On 17 December 2015, the Company declared the Special Dividend of HK$0.12 per share with total dividends 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 8 January 2016. The special dividend was paid on 8 January 2016.

(iii) Subsequent to the end of the reporting period of 2015, final dividend of HK$0.119 per share in respect of the year ended 31 December 2015 was proposed by the directors and was subjected to approval by the shareholders in the forthcoming general meeting. As disclosed in the Company's announcement dated 24 May 2016, the Board resolved that the proposed final dividend for the year ended 31 December 2015 be revised to HK$0 cent per ordinary share of the Company, instead of HK$11.9 cents per ordinary share of the Company as previously recommended.

(iv) Subsequent to the end of the reporting period, final dividend of HK$6.3 cents per share in respect of the year ended 31 December 2016 was proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

14. INTANGIBLE ASSETS

The intangible assets of the Group represent operating rights under IOT agreements and sponsorship rights and consulting services contracts. Operating rights under IOT agreements have finite useful lives, and are amortised on a straight-line basis over the operating period set out in the IOT agreements which ranged from 16 to 48 years. Sponsorship rights and consulting services contracts have indefinite useful lives.

	Operating rights under IOT arrangements *RMB'000*	**Sponsorship rights and consulting services contracts** *RMB'000* *(Note ii)*	**Total** *RMB'000*
COST:			
At 1 January 2015	408,702	–	408,702
Additions:			
Fair value adjustments *(Note i)*	61,928	–	61,928
At 31 December 2015	470,630	–	470,630
Additions:			
Fair value adjustments *(Note i)*	18,913	–	18,913
Acquisition of subsidiaries *(Note 29)*	–	1,728,026	1,728,026
At 31 December 2016	489,543	1,728,026	2,217,569
ACCUMULATED AMORTIZATION:			
At 1 January 2015	48,672	–	48,672
Charged for the year	17,389	–	17,389
At 31 December 2015	66,061	–	66,061
Charged for the year	19,146	–	19,146
At 31 December 2016	85,207	–	85,207
CARRYING AMOUNT			
At 31 December 2015	404,569	–	404,569
At 31 December 2016	404,336	1,728,026	2,132,362

15. RECEIVABLES FROM IOT HOSPITALS

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Receivables from the IOT Hospitals:		
At beginning of the year	**116,400**	77,830
Payments to IOT Hospitals under IOT agreements	**13,087**	38,072
Repayment from IOT Hospitals	**(14,808)**	(9,808)
Interest and investment income	**13,163**	10,306
At the end of the year	**127,842**	116,400
Less: current portion included in prepayments and other receivables *(Note 22)*	**(14,838)**	(13,341)
Non-current portion	**113,004**	103,059

Pursuant to the IOT agreements and arrangements, the Group made the Repayable Investment Amounts to the IOT Hospitals in return for the operating rights of the IOT Hospitals over a tenure ranging from 16 to 48 years. These Repayable Investment Amounts are interest free and will be repaid to the Group in equal annual instalments during the tenure of the IOT arrangements. The carrying amount of these interest free Repayable Investment Amounts made by the Group to IOT Hospitals that will be repaid back to the Group is recorded as Receivables from IOT Hospitals and was measured at fair value upon initial recognition and subsequently carried at amortised cost using the effective interest method at an average effective interest rate of approximately 11% per annum over the tenure of the respective IOT arrangements.

16. LEASE PREPAYMENTS FOR LAND USE RIGHT

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Cost:		
At beginning of the year	**166,219**	166,219
At the end of the year	**166,219**	166,219
Accumulated amortisation:		
At beginning of the year	**(15,749)**	(12,374)
Charge for the year	**(3,375)**	(3,375)
At the end of the year	**(19,124)**	(15,749)
Carrying amount at the end of the year	**147,095**	150,470

Analyse for reporting purpose as:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current portion included in prepayments and other receivables *(Note 22)*	**3,375**	3,375
Non-current portion	**143,720**	147,095
	147,095	150,470

Notes:

(i) In May 2011, the land use right was contributed by a non-controlling shareholder of Jian Gong Hospital, Beijing Construction Engineering Group, as a non-cash capital injection and was amortised over the remaining lease term of 49.3 years. The amount of the land use right of RMB 170,552,000 is determined as the appraised value by a Chinese Certified Public Valuer , Beijing Tengqi Certified Public Valuators Co., Ltd (北京騰騏資產評估有限公司), located at 81 Zizhuyuan Road, Haidian District , Beijing, PRC, with the valuation report "Jing Teng Ping Bao Zi (京騰評報字) (2010) No. 020".

On 10 March 2014, Jian Gong Hospital, a non-wholly owned subsidiary of the Company, entered into the Compensation Agreement (the "Agreement") with Xicheng District government of Beijing (北京市西城區政府). Pursuant to the Agreement, Jian Gong Hospital has received compensation from Xicheng District government for the leasehold land adjacent to the hospital. The disposal has resulted in the recognition of a reduction of cost amounted to RMB4,333,000.

17. GOODWILL

	RMB'000
Cost	
Arising on acquisition of subsidiaries *(NOTE 29)*	3,191,110
At 31 December 2016	3,191,110
Impairment	
Impairment loss recognised in this year	(1,727,499)
At 31 December 2016	(1,727,499)
Carrying values	
At 31 December 2015	–
At 31 December 2016	1,463,611

For the purpose of impairment testing, goodwill and the sponsorship rights and consulting services contracts have been allocated to Ample Mighty and its subsidiaries, which are identified to be a group of CGU, the recoverable amount of which is determined based on fair value less cost of disposal calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 9-year period. Cash flows beyond the 9-year period are extrapolated using an estimated weighted average growth rate of 2.89%. The cash flows are discounted using a discount rate of 10.16%. The discount rate reflects specific risks relating to the business.

During the year, the Group recognised an impairment loss of RMB1,727,499,000 in relation to the goodwill arising on Acquisition which mainly arose from the difference between the share price of HKD12.34 per share on the Acquisition Date and the issue price of HKD8.04 per share stated in the sale and purchase agreement dated 30 August 2016 as announced by the Company on the same date, on the 462,913,516 consideration shares.

18. INTEREST IN AN ASSOCIATE

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Cost of investment in an associate	**141,985**	141,985
Share of post-acquisition (loss) profit and other comprehensive (expense) income, net of dividends received	**(1,196)**	1,008
Gain on deemed disposal of an associate	**5,163**	5,163
Exchange adjustment	**17,386**	6,839
	163,338	154,995
Fair value of the listed investment	**134,320**	149,850

Details of the Group's associate at the end of the reporting period are as follow:

Name of entity	Country of incorporation	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2016	2015	**2016**	2015	
UMP Healthcare Holdings Limited ("UMP")	Cayman Islands	Hong Kong	**15%**	15%	**15%**	15%	Provide healthcare solutions and service

19. INTERESTS IN JOINT VENTURES/LOAN TO A JOINT VENTURE

Details of the Group's investments in joint ventures/loan to a joint venture are as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Cost of investment in joint ventures	**532,199**	–
Loan to a joint venture	**–**	9,250
Share of post-acquisition loss and other comprehensive expense	**(18,144)**	(2,889)
Exchange adjustment	**(407)**	–
	513,648	6,361

Details of each of the Group's joint ventures at the end of the reporting period are as follow:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2016	2015	**2016**	2015	
UMP Healthcare (Beijing) Group Limited ("UMP Beijing")	BVI	Hong Kong and Mainland China	**50%**	50%	**50%**	50%	Provide healthcare solutions and service
CR Wugang	Wuhan, PRC	Wuhan, PRC	**51%**	N/A	**51%**	N/A	Hospital consulting service

20. INVENTORIES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Pharmaceuticals	**34,369**	32,962
Medical devices and medical consumables	**15,872**	9,360
	50,241	42,322

21. TRADE RECEIVABLES

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

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
0 to 60 days	**202,467**	118,555
61 to 180 days	**15,461**	6,396
>180 days	**37,996**	12,669
	255,924	137,620

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of 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.

Ageing of trade receivables that are past due but not impaired

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Overdue by:		
91 to 180 days	**37,996**	12,669
Total	**37,996**	12,669

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.

22. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current portion of receivables from IOT Hospitals	**14,838**	13,341
Prepaid value-added tax	**13,171**	11,231
Prepayment to suppliers	**1,519**	5,077
Prepayment of share-based payment *(Note)*	**1,279**	3,628
Current portion of lease prepayment for land use right	**3,375**	3,375
Prepaid rental	**–**	953
Fee income receivables	**3,459**	2,316
Prepaid maintenance expense	**1,847**	619
Public housing maintenance fund	**1,110**	1,106
Others	**2,935**	1,241
	43,533	42,887

Note: The prepayment of share-based payment represents the excess between the fair value of the award shares at the grant date and the grant price paid by the Selected Participants. The shares are vested immediately as the relevant employees bear the risks and rewards of the shares upon acceptance of the grant and payment of the grant price, and are obliged to refund in cash if the relevant employees terminate the services before the end of the stipulated service periods. This amount is expensed on a straight-line basis over the periods in which services are expected to be rendered by the relevant employees. An amount of RMB2,349,000 was recognised as expense during the year ended 31 December 2016 (2015: RMB2,009,000).

23. SHORT-TERM INVESTMENTS

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Mutual funds *(Note i)*	**–**	45,000
Financial products *(Note ii)*	**66,400**	29,990
	66,400	74,990

Notes:

(i) The mutual funds were operated by financial institutions as an investment portfolio of identified financial instruments. The mutual funds were non-principal protected with variable returns, which have been classified as financial assets at FVTPL, and can be redeemed by the Group any time at its discretion. The fair values of the mutual funds were determined based on the executable redemption prices provided by the issuing financial institutions.

(ii) The financial products were operated by banks, with expected annual return ranging from 3% to 4% per annum which have been designated at FVTPL. The maturity of the financial products as at 31 December 2016 is in March 2017.

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 at FVTPL during both years.

24. CERTIFICATE OF DEPOSIT AND CASH AND CASH EQUIVALENTS

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Bank balance and cash (classified as cash and cash equivalents)	**1,069,468**	821,864
Certificate of deposit	**52,806**	116,684
	1,122,274	938,548
Cash and cash equivalents and certificate of deposit denominated in:		
– RMB	**1,081,180**	847,643
– USD	**33,461**	3,396
– HKD	**7,633**	87,509
	1,122,274	938,548

Bank balances carried interest at market rates which range from 0.01% to 1.30% per annum over both years. As at the 31 December 2016, the certificate of deposit of RMB52,806,000 (2015: RMB116,684,000) carried interest rate at 7.8% (2015: from 3.55% to 4.9%) per annum, which will mature on 30 March 2017.

25. 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 year, based on the date of delivering of goods, is as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 60 days	**201,380**	189,768
61-180 days	**39,447**	18,221
>180 days	**1,930**	1,554
	242,757	209,543

26. OTHER PAYABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Staff cost payables	**43,607**	23,152
Other PRC tax payable	**15,576**	13,769
Deposits from suppliers	**13,112**	11,860
Deposits from patients	**5,093**	4,135
Retirement benefit obligations	**2,446**	1,706
Payable for purchase of property, plant and equipment	**953**	597
Unpaid expense in relation to major transactions	**17,635**	–
Unpaid expense in relation to professional services	**8,593**	1,200
Others	**13,640**	3,148
	120,655	59,567

27. RETIREMENT BENEFIT OBLIGATIONS

27.1 Defined contribution plans

The PRC employees of the Group are members of a state-managed retirement benefit plan operated by the government of the PRC. The PRC subsidiaries of the Company are required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the employee benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. The retirement benefit cost charged to profit or loss for the year ended 31 December 2016 amounts to RMB13,363,000 (2015: RMB11,103,000).

27.2 Defined benefit plans

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Total estimated benefit payable to retired staffs	**22,024**	4,630
Less: Amounts due within 12 months included in other payable	**(2,446)**	(1,706)
Amounts due after 12 months	**19,578**	2,924

Pursuant to the agreement with Beijing Construction Engineering Group upon the reform of Jian Gong Hospital in 2003, the Group operated a defined benefit plan for 35 retirees. Under the plan, the retirees are entitled to a certain medical insurance and funeral compensation until death.

The plan exposes the Group to longevity risk. The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants. An increase in the life expectancy of the plan participants will increase the plan's liability.

The principal assumption used for the purposes of valuation was as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Discount rate	**3.00%**	3.85%
Expected rate of the average per capital disposable income growth	**10.00%**	4.50%
Average longevity at retirement age for current pensioners	**92**	89

Movement in the present value of the defined benefit obligation during the both years were as follows:

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
At beginning of the year	**4,630**	5,849
Benefit paid	**(2,938)**	(1,219)
Remeasurement on the net defined benefit liability	**20,332**	–
At the end of the year	**22,024**	4,630

The remeasurement of the net defined benefit liability, which is mainly actuarial losses arising from changes in demographic assumptions, financial assumptions, financial assumptions and experiences adjustments, is include in other comprehensive income.

Significant assumptions for the determination of the defined benefit obligation are discount rate, expected average per capital disposable income and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of each reporting period, while holding all other assumptions constant.

As at 31 December 2016, the Group expected to make payment of RMB2,446,000 under the defined benefit plan in the next twelve months from the end of each reporting period (2015: RMB1,706,000).

28. SHARE-BASED PAYMENT TRANSACTIONS

Share award scheme

On 7 July 2014, the Company adopted a share award scheme (the "Scheme") as a means to recognise the contribution of and provide incentives for the key management personnel including directors, senior management, employed experts and core employees of the Group (the "Selected Participants"). The Scheme shall be valid and effective for a period of 10 years commencing on the adoption date. The shares to be awarded under the Scheme will be acquired by the Company through the trustee from the open market out of cash contributed by the Group (the "Award Shares") and be held in trustee for the Selected Participants until such shares are vested in accordance with the provisions of the Scheme.

The fair value with total amount of RMB77,974,000 of the Award Shares is determined based on the market price of the shares of the Company at the date of grant, without taking into account any service and non-market performance vesting conditions.

The Group recognised the total expense of RMB23,298,000 for the year ended 31 December 2016 (2015: RMB41,762,000) in relation to the Scheme, which including an amount of RMB2,349,000 (2015: RMB2,009,000) amortised from prepayment of share-based payment as disclosed in Note 22.

29. ACQUISITION OF SUBSIDIARIES

On 30 August 2016, Pinyu entered into an agreement to acquire the entire issued share capital of Ample Mighty from CR Healthcare by the issue of 462,913,516 consideration shares by the Company. The Acquisition was completed on 31 October 2016 and has been accounted for using acquisition method. The fair value of the consideration shares of the Company, determined using the share price at the Acquisition Date, amounted to RMB4,982,600,000. Upon completion of the Acquisition, CR Healthcare holds approximately 35.70% of the issued share capital of the Company as enlarged.

Ample Mighty is an investment holding company and its subsidiaries are principally engaged in provision of hospital consulting services and healthcare services in mainland China.

(i) Fair value of identifiable assets acquired and liabilities recognised at the Acquisition Date on a provisional basis:

	Amount recognised at the date of acquisition *RMB'000*
Fair value of net identifiable assets of subsidiaries acquired	
Property, plant and equipment	105,630
Intangible assets	1,728,026
Loan to a sponsored hospital	47,293
Interest in a joint venture	507,949
Inventories	226
Trade receivables	26,409
Prepayments and other receivables	1,699
Amounts due from related parties	1,958
Cash and cash equivalents	101,003
Trade payables	(692)
Other payables	(23,584)
Amounts due to related parties	(381)
Payables to the Sponsored Hospitals	(384,957)
Deferred tax liability	(319,089)
Net identifiable assets	1,791,490

The fair value of the net identifiable assets of the acquired subsidiaries are estimated on a provisional basis.

The total fair value and the gross contractual amounts of trade receivables, other receivables and amounts due from related parties at the Acquisition Date amounted to RMB30,066,000. The best estimate at the Acquisition Date of the contractual cash flow not expected to be collected amounted to nil.

(ii) Goodwill

Goodwill was recognised as a result of acquisition as follows:

	Amount recognised at the date of acquisition *RMB'000*
Consideration transferred	4,982,600
Less: Net assets acquired	(1,791,490)
Goodwill arising on acquisition	3,191,110

Goodwill arose in the acquisition of Ample Mighty included amounts paid for the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Ample Mighty. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. In addition, as mentioned in Note 17, certain amount of goodwill was resulted from the increase of share price of the consideration shares issued by the Company at the Acquisition Date.

None of the goodwill arising on the acquisition is expected to be deductable for tax purpose.

Had the acquisition been completed on 1 January 2016, the Group's revenue for the year would have been RMB1,603,689,000 and loss for the year would have been RMB1,496,621,000. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had Ample Mighty been acquired at the beginning of the current year, the directors have

- calculated depreciation and amortisation of property plant and equipment and intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the preacquisition financial statements; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

30. NON-WHOLLY OWNED SUBSIDIARY

Summarised financial information in respect of the Group's non-wholly owned subsidiary, Jian Gong Hospital that has material non-controlling interests is set out below. The non-controlling interests owned 20% of ownership and voting right in Jian Gong Hospital as at 31 December 2016 and 2015. The summarised financial information below represents amount before intragroup eliminations.

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current assets	**410,788**	403,009
Non-current assets	**293,454**	287,194
Current liabilities	**(88,915)**	(113,015)
Non-current liabilities	**(19,578)**	(2,924)
Total equity	**595,749**	574,264
Non-controlling interests	**119,151**	114,854

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Revenue and other income	**603,722**	581,542
Expenses	**(567,958)**	(554,692)
Profit for the year	**35,764**	26,850
Other comprehensive expense for the year	**(20,332)**	–
Total comprehensive income for the year	**15,432**	26,850
Profit attributable to non-controlling interests	**7,152**	5,369
Net cash generated from operating activities	**52,751**	43,956
Net cash used in investing activities	**(25,132)**	(33,488)
Net cash inflow	**27,619**	10,468

31. CAPITAL

	Number of shares	Share capital	Share capital
		HK$'000	*RMB'000*
Ordinary shares of HK$0.00025 each			
Authorised			
At 1 January 2015 and 31 December 2015 and 2016	1,520,000,000	380	302
Issued and fully paid			
At 1 January 2015 and 31 December 2015	833,763,000	209	166
Shares issued for acquisition of business (ii)	462,913,516	116	101
At 31 December 2016	1,296,676,516	325	267

Notes:

(i) During the year ended 31 December 2015 and 2014, the Group repurchased its own shares on the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares	Price per share Highest	Price per share Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
January 2015	2,144,000	14.28	13.91	30,218
September 2014	3,102,500	13.21	12.62	39,999
October 2014	6,583,000	13.29	12.74	85,896
November 2014	2,159,000	15.65	15.08	32,965
December 2014	4,200,000	15.10	14.89	62,996

The shares repurchased were held by the Trustee pursuant to the Company's Share Award Scheme.

(ii) On 31 October 2016, 462,913,516 consideration shares with par value of HKD0.00025 per share were issued and allotted to CR Healthcare as the Acquisition's consideration.

DEFINITIONS

"Ample Mighty"	Ample Mighty Limited, a company incorporated under the laws of BVI and a wholly-owned subsidiary of the Group
"Audit Committee"	the audit committee of the Board
"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
"Board" or "Board of Directors"	the board of Directors of our Company
"BVI"	the British Virgin Islands
"CAGR"	Compound Annual Growth Rate
"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
"CITIC"	CITIC Medical & Health Group Co., Ltd (中信醫療健康產業集團有限公司), a company incorporated in the PRC with limited liability
"CITIC Kingview"	CITIC Kingview Capital Management Co., Ltd. (中信錦繡資本管理有限責任公司), a company incorporated in the PRC with limited liability, the shareholders of which are CITIC Trust Co., Ltd., CITIC Capital Holdings Limited and China CITIC Limited
"Company" or "our Company"	China Resources Phoenix Healthcare Holdings Company Limited (華潤鳳凰醫療控股有限公司), a company with limited liability incorporated in the Cayman Islands on February 28, 2013
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules

"CR Healthcare Group"	China Resources Healthcare Group Limited, a company incorporated under the laws of Hong Kong
"CR Holdings"	China Resources (Holdings) Company Limited (華潤（集團）有限公司), a company incorporated in Hong Kong with limited liability, which is a wholly-owned subsidiary of China Resources Co., Limited (華潤股份有限公司) and the indirect holding company of CR Healthcare Group
"Director(s)"	the directors of our Company or any one of them
"Group", "we" or "CR Phoenix"	our Company and its subsidiaries
"GPO"	group purchasing organization
"Hangzhou Hospitals"	Hangzhou Plastic Surgery Hospital Co., Ltd. (杭州整形醫院有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of CITIC and its branch, Hangzhou Hand Surgery Hospital (杭州手外科醫院)
"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
"Huizhou Hospital"	CITIC Huizhou Hospital Co., Ltd (中信惠州醫院有限公司), a company incorporated in the PRC with limited liability, of which 60% is owned by CITIC and 40% is owned by CITIC Kingview
"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 of Beijing Construction Worker Hospital (北京市建築工人醫院), before its reform

"Jing Mei Hospital"	Jing Mei Hospital (北京京煤集團總醫院), a not-for-profit hospital established under the laws of the PRC in 1956 and wholly owned by Beijing Coal, which we began managing in May 2011 pursuant to the Jing Mei IOT Agreement
"Jing Mei Hospital Group"	collectively, Jing Mei Hospital and seven Grade I hospitals and 11 community clinics affiliated with Jing Mei Hospital
"Jing Mei IOT Agreement"	collectively, the IOT agreement we entered into with Beijing Coal on May 5, 2011, as amended
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mentougou Hospital"	Mentougou Hospital (北京市門頭溝區醫院), a not-for-profit hospital established under the laws of the PRC in 1951 and wholly owned by the Mentougou District government, which we began managing in June 2010 pursuant to the Mentougou IOT Agreement
"Mentougou Hospital for Women and Children"	Mentougou Hospital for Women and Children (門頭溝區婦幼保健院) established 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 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 Traditional Chinese Medicine Hospital IOT Agreement
"Model Code"	The Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Pinyu"	Pinyu Limited, a limited liability company incorporated in the BVI on January 3, 2013, a wholly-owned subsidiary of our Company
"Remuneration Committee"	the remuneration committee of the Board
"Review Period"	From January 1, 2016 to December 31, 2016
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	share(s) with par value of HK$0.00025 each in the capital of our Company

"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
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"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$150.0 million with a repayment term of three year (which is extendable for another two years after the initial three-year term), the interest rate of which is determined with reference to the three-month London Interbank Offered Rate plus 3.15% per annum
"True Point"	True Point Holdings Limited, a limited liability company incorporated in the BVI
"UMP China"	UMP Healthcare China Limited, a limited liability company incorporated in the Cayman Islands, and a direct wholly owned subsidiary of UMP Healthcare Holdings
"UMP Healthcare Holdings"	UMP Healthcare Holdings Limited (聯合醫務控股有限公司), a limited liability company incorporated in the Cayman Islands, whose shares are listed on the Stock Exchange (Stock Code: 722)
"U.S. dollar" or "US$"	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 incorporated 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
China Resources Phoenix Healthcare Holdings Company Limited
WU Potao
Executive Director

Beijing, March 24, 2017

As at the date of this announcement, the Board comprises Mr. WANG Yin, Mr. WANG Yan, Mr. HE Xuan, and Mr. LIANG Hongze as non-executive Directors; Mr. CHENG Libing, Mr. WU Potao and Mr. XU Zechang as executive Directors; Mr. KWONG Kwok Kong, Ms. CHENG Hong, Mr. SUN Jianhua and Mr. LEE Kar Chung Felix as independent non-executive Directors.