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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of directors (the "Board") of China Resources Phoenix Healthcare Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2017 (the "Reporting Period") as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended June 30, 2017

		Six months ended June 30,	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**862,118**	705,200
Cost of sales and services		**(539,009)**	(523,126)
Gross profit		**323,109**	182,074
Other income	*7*	**23,310**	42,912
Other gains and losses	*8*	**117,353**	(1,984)
Selling and distribution expenses		**(9,221)**	(10,376)
Administrative expenses		**(78,240)**	(53,575)
Finance costs		**(740)**	–
Other expenses		**(156)**	(1,130)
Share of profit/(loss) of associates	*9*	**5,499**	(8)
Share of profit/(loss) of joint ventures	*9*	**16,655**	(3,451)
Profit before tax		**397,569**	154,462
Income tax expense	*10*	**(66,546)**	(19,537)
Profit for the period	*11*	**331,023**	134,925

	Notes	Six months ended June 30, 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Profit for the period attributable to:			
Equity holders of the Company		**324,924**	130,312
Non-controlling interests		**6,099**	4,613
		331,023	134,925
Other comprehensive income/(expense) for the period			
Items that may be reclassified subsequently to profit or loss:			
Share of exchange differences of associates and joint ventures		**(1,664)**	–
Gain from changes in fair value of available-for-sale financial assets		**15,281**	–
		13,617	–
Share of exchange differences of an associate reclassified to profit or loss:			
Investments in an associate accounted for using the equity method reclassified to available-for-sale financial assets		**(14,515)**	–
Disposal of shares in an associate		**(153)**	–
		(14,668)	–
Total comprehensive income for the period		**329,972**	–
Total comprehensive income attributable to:			
Equity holders of the Company		**323,873**	130,312
Non-controlling interests		**6,099**	4,613
		329,972	134,925
Earnings per share			
– basic (RMB yuan per share)		**0.25**	0.16
– diluted (RMB yuan per share)		**0.25**	0.16

Condensed Consolidated Statement of Financial Position
At June 30, 2017

	Notes	As at June 30 2017 RMB'000 (Unaudited)	As at December 31 2016 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*14*	**253,968**	264,292
Intangible assets	*6*	**2,122,421**	2,132,362
Receivables from invest-operate-transfer ("IOT") hospitals	*6*	**116,810**	113,004
Lease prepayments for land use right		**142,032**	143,720
Goodwill		**1,463,611**	1,463,611
Interests in associates	*15*	**24,004**	163,338
Interests in joint ventures	*15*	**506,553**	513,648
Available-for-sale financial assets	*16*	**277,511**	–
		4,906,910	4,793,975
Current assets			
Inventories		**61,619**	50,241
Loan to a Sponsored Hospital	*6*	**48,919**	47,761
Trade receivables	*17*	**331,717**	255,924
Prepayments and other receivables	*17*	**18,877**	43,533
Amounts due from related parties	*25*	**63,404**	68,228
Short-term investments	*18*	**473,200**	66,400
Certificate of deposit	*18*	**54,356**	52,806
Cash and cash equivalents	*18*	**805,306**	1,069,468
		1,857,398	1,654,361
Current liabilities			
Trade payables	*19*	**209,321**	242,757
Other payables	*19*	**113,009**	120,655
Amounts due to related parties	*25*	**10,318**	6,914
Payables to hospitals sponsored by the Group (the "Sponsored Hospitals")	*6*	**315,508**	369,344
Tax payables		**57,891**	12,678
Short-term borrowings	*20*	**130,188**	–
Dividends payable		**70,901**	–
		907,136	752,348
Net current assets		**950,262**	902,013
Total assets less current liabilities		**5,857,172**	5,695,988

	Notes	As at June 30 2017 RMB'000 (Unaudited)	December 31 2016 RMB'000 (Audited)
Non-current liabilities			
Retirement benefit obligations		**18,294**	19,578
Deferred tax liability		**318,254**	318,880
		336,548	338,458
Net assets		**5,520,624**	5,357,530
Capital and reserves			
Capital		**267**	267
Share premium		**6,295,045**	6,365,946
Reserves		**(901,000)**	(1,127,834)
Equity attributable to equity holders of the Company		**5,394,312**	5,238,379
Non-controlling interests		**126,312**	119,151
Total equity		**5,520,624**	5,357,530

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2017

	Attributable to equity holders of the Company												
	Capital	Share premium	Capital reserve	Statutory surplus reserve	Treasury share reserve	Share-based payment reserve	Changes in fair value of available-for-sale financial assets	Exchange reserve	Benefit liability revaluation reserve	Retained earnings/ (accumulated losses)	Subtotal	Attributable to non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2017 (Audited)	**267**	**6,365,946**	**(334,159)**	**62,548**	**(113,721)**	**19,410**	**–**	**16,979**	**(16,266)**	**(762,625)**	**5,238,379**	**119,151**	**5,357,530**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**15,281**	**(16,332)**	**–**	**324,924**	**323,873**	**6,099**	**329,972**
Contributions by non-controlling interests												**800**	**800**
Purchase of shares under Share Award Scheme (Note)	**–**	**–**	**–**	**–**	**(101,851)**	**–**	**–**	**–**	**–**	**–**	**(101,851)**	**–**	**(101,851)**
Recognition of equity-settled share based payments	**–**	**–**	**–**	**–**	**–**	**4,812**	**–**	**–**	**–**	**–**	**4,812**	**262**	**5,074**
Shares vested under the Share Award Scheme	**–**	**–**	**(506)**	**–**	**1,876**	**(1,370)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends recognised as distribution	**–**	**(70,901)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(70,901)**	**–**	**(70,901)**
Balance at June 30, 2017 (Unaudited)	**267**	**6,295,045**	**(334,665)**	**62,548**	**(213,696)**	**22,852**	**15,281**	**647**	**(16,266)**	**(437,701)**	**5,394,312**	**126,312**	**5,520,624**
Balance at January 1, 2016 (Audited)	166	1,382,736	(337,904)	42,182	(140,728)	29,962	–	6,759	–	764,705	1,747,878	114,854	1,862,732
Profit and total comprehensive income for the period	–	–	–	–	–	–	–	2,859	–	130,312	133,171	4,613	137,784
Recognition of equity-settled share based payments	–	–	–	–	–	9,869	–	–	–	–	9,869	604	10,473
Shares vested under the Share Award Scheme	–	–	(6,880)	–	39,511	(32,169)	–	–	–	–	462	–	462
Dividends recognised as distribution	–	711	–	–	–	–	–	–	–	–	711	–	711
Balance at June 30, 2016 (Unaudited)	166	1,383,447	(344,784)	42,182	(101,217)	7,662	–	9,618	–	895,017	1,892,091	120,071	2,012,162

Note: In April 2017, the Company paid an amount of HK$114,917,000 (equivalent to approximately RMB101,851,000) to Computershare Hong Kong Trustees Limited (the "Trustee") to purchase the Company's existing shares of 11,000,000 on the market at an average purchase price of HK$10.45 per share pursuant to the Share Award Scheme (the "Scheme") made on July 7, 2014 (amended on May 25, 2015) by the board of directors of the Company (the "Board").

Condensed Consolidated Statement of Cash Flows
For the six months ended June 30, 2017

		Six months ended June 30,	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Profit before tax		**397,569**	154,462
Adjustments for:			
Gain on reclassification from investment in an associate accounted for using the equity method to available-for-sale financial assets	*8*	**(115,358)**	–
Gain on partial disposal of equity interests in UMP Healthcare Holdings	*8*	**(1,002)**	–
Loss on deemed disposal of a joint venture	*8*	**307**	–
Share of (profit) loss of associates	*9*	**(5,499)**	8
Share of (profit) loss of joint ventures	*9*	**(16,655)**	3,451
Depreciation of property, plant and equipment	*11*	**19,393**	13,814
Amortisation of lease prepayments for land use right	*11*	**1,688**	1,688
Amortisation of intangible assets	*11*	**9,920**	9,428
Interest and investment income	*7*	**(19,384)**	(18,226)
Finance costs		**740**	–
Expense recognised on equity-settled share based payments		**5,074**	11,649
(Gain) loss on disposal of property, plant and equipment, net	*8*	**(28)**	131
Fair value changes of mutual funds	*8*	**–**	2,057
Foreign exchange gain	*8*	**(1,270)**	(204)
Operating cash flows before movements in working capital		**275,495**	178,258
Movements in working capital			
Increase in inventories		**(11,378)**	(661)
Increase in trade receivables		**(75,793)**	(6,461)
Decrease (increase) in prepayments and other receivables		**26,057**	(2,188)
Decrease (increase) in amount due from related parties		**4,824**	(14,147)
Decrease in trade payables		**(33,436)**	(12,238)
Decrease in other payables		**(7,646)**	(6,071)
Increase in amounts due to related parties		**3,404**	–
Cash generated from operations		**181,527**	136,492
Income taxes paid		**(21,959)**	(47,325)
Net cash generated from operating activities		**159,568**	89,167

	Notes	Six months ended June 30, 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Cash flows used in investing activities			
Investment income received from financial products	7	**12,376**	11,824
Purchase of financial products		**(1,996,548)**	(2,097,541)
Proceeds from disposal of financial products		**1,589,748**	1,929,971
Purchase of certificate of deposit		**(108,203)**	(451,808)
Proceeds from certificate of deposit		**106,653**	494,029
Purchases of property, plant and equipment		**(12,895)**	(18,318)
Repayment from IOT Hospitals		**3,203**	2,388
Proceeds from disposal of property, plant and equipment		**100**	273
Purchase of mutual funds		**–**	(290,000)
Proceeds from mutual funds		**–**	133,864
Proceeds from partial disposal of equity interests in UMP Healthcare Holdings		**5,585**	–
Dividends received from an associate		**489**	–
Shareholder loan to a joint venture		**–**	(15,000)
Net cash used in investing activities		**(399,492)**	(300,318)
Cash flows used in financing activities			
Interest paid to bank		**(288)**	–
Payment for repurchase of ordinary shares		**(101,851)**	–
Dividends paid to shareholders of the Company	12	**–**	(81,862)
Repayment to the Sponsored Hospitals		**(54,280)**	–
Proceeds from grant of Award Shares under Share Award Scheme		**–**	463
Contributions by non-controlling interests		**780**	–
Proceeds from bank and other borrowings		**130,188**	–
Net cash used in financing activities		**(25,451)**	(81,399)
Net decrease in cash and cash equivalents		**(265,375)**	(292,550)
Cash and cash equivalents at the beginning of the year		**1,069,468**	821,864
Effect of foreign exchange rate changes		**1,213**	(1,022)
Cash and cash equivalents at the end of the period		**805,306**	528,292
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash		**805,306**	528,292

Notes to the Unaudited Consolidated Interim Financial Statements

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 February 28, 2013. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since November 29, 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 October 31, 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 Group"). After completion of the acquisition of Ample Mighty and its subsidiaries, 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. Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at 31 December 2016.

3. Significant Accounting Policies

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as of 1 January 2017. The Group did not adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each amendment is described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its condensed interim consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. Though the Group has no deductible temporary differences or assets that are in the scope of the amendments, their application has no material effect on the Group's financial position and performance.

Annual Improvements Cycle – 2014-2016

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The Group has adopted the amendments retrospectively. Though the Group has no interest in a subsidiary, a joint venture or an associate that is classified as held for sale, no additional disclosures are required to be provided in its condensed interim consolidated financial statements.

4. Segment Information

The Group restructured its internal organisations after the completion of the acquisition of Ample Mighty on October 31, 2016. Accordingly, the reportable segments were changed in the preparation of the 2016 consolidated financial statements. The classification principle of the reportable segments used in the current interim period are consistent with those used in FY2016, and were presented based on the internal organisations as follows:

(i) General healthcare services

Revenue from this segment is mainly derived from hospital services provided at Jian Gong Hospital and 999 Clinic.

(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 management fees. The Group also obtains hospital supply chain management income or other fee income through setting up integrated supply chain management system with third party suppliers.

(iii) GPO business

The Group derives revenue from sales of pharmaceuticals, medical devices and medical consumables to our in-network hospitals.

(iv) Other hospital-derived services

It mainly represents professional consultation services and other consulting services provided to third parties.

In the preparation of the 2017 interim condensed consolidated financial statements, the segment information for the six months ended June 30, 2016 has been restated to conform with the presentation of the current interim period.

Segment revenue and results of the Group's reportable segments are presented below:

For the six months ended June 30, 2017 (Unaudited)

	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*
External revenues	**316,719**	**162,278**	**369,492**	**13,629**	**862,118**
Inter-segment revenue	**–**	**–**	**81,749**	**–**	**81,749**
Segment revenue	**316,719**	**162,278**	**451,241**	**13,629**	**943,867**
Eliminations					**(81,749)**
Consolidated revenue					**862,118**
Segment results	**39,114**	**113,944**	**90,765**	**8,704**	**252,527**
Gain on reclassification from investment in an associate accounted for using the equity method to available-for-sale financial assets					**115,358**
Share of profit of joint ventures					**16,264**
Share of profit of associates					**5,499**
Gain on partial disposal of equity interests in UMP Healthcare Holdings					**1,002**
Loss on deemed disposal of a joint venture					**(307)**
Unallocated interest and investment income					**14,713**
Share-based payment expense					**(5,074)**
Finance cost					**(740)**
Other unallocated expense					**(1,673)**
Profit before tax					**397,569**

For the six months ended June 30, 2016 (Unaudited)

	General healthcare services *RMB'000* (Restated)	Hospital management and consulting services *RMB'000* (Restated)	GPO business *RMB'000* (Restated)	Other hospital-derived services *RMB'000* (Restated)	Total *RMB'000* (Restated)
External revenues	282,883	43,142	379,175	–	705,200
Inter-segment revenue	–	–	90,643	–	90,643
Segment revenue	282,883	43,142	469,818	–	795,843
Eliminations					(90,643)
Consolidated revenue					705,200
Segment results	20,783	52,606	90,985	–	164,374
Share of loss of a joint venture					(3,451)
Share of loss of an associate					(8)
Unallocated interest and investment income					12,242
Share-based payment expense					(11,649)
Other unallocated expense					(7,046)
Profit before tax					154,462

Segment assets of the Group's reportable segments are presented below:

	As at June 30 2017 RMB'000 (Unaudited)	December 31 2016 RMB'000 (Audited)
Segment assets:		
General healthcare services	**541,788**	557,226
Hospital management and consulting services	**3,073,118**	2,980,420
GPO business	**223,475**	257,642
Other hospital-derived business	**10,660**	2,457
	3,849,041	3,797,745
Available-for-sale financial assets	**277,511**	–
Interest in a joint venture	**–**	7,487
Interest in associates	**24,004**	163,338
Unallocated corporate assets	**2,810,195**	2,653,564
Elimination of inter-segment receivables	**(196,443)**	(173,798)
	6,764,308	6,448,336

Note: Unallocated corporate assets represent the Group's goodwill, cash and cash equivalents, certificate of deposits, short-term investments, assets of overseas subsidiaries and other unallocated assets of the Group.

Segment liabilities of the Group's reportable segments are presented below:

	As at June 30 2017 RMB'000 (Unaudited)	December 31 2016 RMB'000 (Audited)
Segment liabilities:		
General healthcare services	**132,162**	149,010
Hospital management and consulting services	**853,177**	828,706
GPO business	**239,718**	268,825
Other hospital-derived business	**5,897**	1,390
	1,230,954	1,247,931
Unallocated company liabilities *(Note)*	**209,173**	16,673
Elimination of inter-segment payables	**(196,443)**	(173,798)
	1,243,684	1,090,806

Note: Unallocated corporate liabilities represent short-term borrowings, liabilities of overseas subsidiaries and other unallocated liabilities of the Group.

5. 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 current interim period is as follows:

	Six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
General healthcare services	**316,719**	282,883
Hospital management and consulting services		
From IOT and Sponsored Hospitals *(Note 6(i))*	**110,895**	43,142
From third party suppliers *(Note a)*	**51,383**	–
	162,278	43,142
GPO business	**369,492**	379,175
Other hospital-derived services *(Note b)*	**13,629**	–
	862,118	705,200

Notes:

a. The Group entered into an agreement with a third party supplier for the joint development of a regional integrated pharmaceutical supply chain management system ("Supply Chain Joint Development Agreement"), which became effective from January 1, 2017. With our four in-network hospitals as the main service targets, we cooperate with this supplier to develop the regional integrated pharmaceutical supply chain management system, supply and establish regional pharmaceutical supply chain management platforms, enhance our pharmaceutical inventory and logistics management, develop services such as supply chain financing, and charge hospital supply chain management services fees based on a percentage of relevant pharmaceutical purchases. In the first half of 2017, the Group obtained management fee income of approximately RMB51,383,000.

b. The fees charged by the Group for the provision of professional consultation services to third parties.

6. IOT Arrangements/Management Services Arrangement with Sponsored Hospitals

The IOT hospitals operated and managed by the Group include Yan Hua Hospital Group, 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 and Baoding Third Center Hospital. Pursuant to the IOT agreements entered into between the Group and the sponsors/contributors of the aforesaid hospitals, the Group is committed to provide (i) investment amounts to the IOT Hospitals that will be repaid back to the Group (the "Repayable Investment Amounts") or (ii) investment amounts to the sponsors of the IOT Hospitals that will not be returned to the Group in return for the operating rights of the IOT Hospitals over periods ranging from 16 to 48 years, subject to other conditions set out in the IOT agreements. Under the IOT agreements, the Group operates and provides management services to the IOT Hospitals and derive management fee based on pre-set formulas set out in the IOT agreements.

Our not-for-profit hospitals with sponsorship rights include Guangdong 999 Brain Hospital, Huaikuang Hospital Group, Xukuang Hospital and Wugang Hospital Group (owned by the Group through China Resources Wugang (Hubei) Hospital Co., Ltd, a joint venture in which the Group holds 51% equity interests). Among which, Guangdong 999 Brain Hospital, Huaikuang Hospital Group, Xukuang Hospital entered into new management services agreements with the wholly-owned subsidiaries of the Group during the current interim period and the original consulting services contracts were terminated, details of which are disclosed in Note 6(vi). Pursuant to the new management services agreements, the Group commits to provide hospital management and supply chain management services to the Sponsored Hospitals. In return, the Group charges the Sponsored Hospitals management service fees based on pre-set formulas set out in the management services agreements.

(i) The amount of management fee received/receivable by the Group from the IOT Hospitals and the Sponsored Hospitals and revenue derived from the commencement of GPO business during both periods are as follows:

Six months ended June 30, 2017 (Unaudited)

	Hospital management and consulting services	**GPO business**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
IOT Hospitals	**28,535**	**364,279**	**392,814**
Sponsored Hospitals	**82,360**	**4,677**	**87,037**
	110,895	**368,956**	**479,851**

Six months ended June 30, 2016 (Unaudited)

	Hospital management and consulting services	GPO business	Total
	RMB'000	RMB'000	RMB'000
IOT Hospitals	43,142	377,363	420,505

(ii) The amount of trade receivables with the IOT Hospitals and the Sponsored Hospitals (including amounts due from related parties), receivables from the IOT Hospitals (i.e. the Repayable Investment Amounts of the IOT Hospitals) and loan to a Sponsored Hospital at the end of the Reporting Period and as at December 31, 2016 are as follows:

	As at	
	June 30	December 31
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables:		
IOT Hospitals	**240,880**	271,627
Sponsored Hospitals	**94,936**	26,749
	335,816	298,376
Receivables from the IOT Hospitals *(Note a)*:		
IOT Hospitals	**131,648**	127,842
Less:		
Current portion included in prepayments and other receivables	**(14,838)**	(14,838)
Non-current portion	**116,810**	113,004
Loan to a Sponsored Hospital *(Note b)*	**48,919**	47,761

Notes:

a. 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.

b. In November 2014, CR Hospital Investment and Xukuang Hospital entered into a three-year loan agreement. Pursuant to the agreement, the loan bears the prevailing three-year bank loan interest rate plus 2%. The interest will be paid on its maturity.

(iii) The amount of payables to the Sponsored Hospitals at the end of the Reporting Period and as at December 31, 2016 are as follows:

	As at	
	June 30, 2017	December 31, 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Loans from the Sponsored Hospitals *(Note a)*	**315,508**	109,344
Amounts due to the Sponsored Hospitals *(Note b)*	**–**	260,000
	315,508	369,344

Notes:

a. Loans from the Sponsored Hospitals are unsecured, bearing interest at 0.35% per annum and repayable on demand.

b. The amounts due to the Sponsored Hospitals are non-trade in nature, unsecured, non-interest bearing and repayable on demand. Starting form January 1, 2017, the amounts due to the Sponsored Hospitals of RMB260 million as at December 31, 2016 changed to loan nature and accrued interests as described in Note a.

(iv) The carrying amount of operating rights of IOT Hospitals and the sponsorship rights and management services agreements, classified as intangible assets at the end of the Reporting Period and as at December 31, 2016 are as follows:

	At 30 June 2017	At 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Operating rights of IOT Hospitals *(Note a)*	**394,395**	404,336
Sponsorship rights and management services agreements of sponsored hospitals *(Note b)*	**1,728,026**	1,728,026
	2,122,421	2,132,362

Notes:

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

b. Sponsorship rights represent the legal rights stipulated in the articles of associations of the Sponsored Hospitals, including: (a) access to the operation status and financial reports of the Sponsored Hospitals; and (b) recommending members to the executive committee which is the highest authority of the Sponsored Hospitals. The Sponsored Hospitals are not-for-profit hospitals and do not have limit on the life of operation period. The management services agreements are entered into between the Group and the Sponsored Hospitals, details of which are disclosed in Note 6(vi).

(v) Details of the IOT agreements

The Group did not enter into any new IOT agreements during the current interim period.

(vi) Details of the management services arrangement with the Sponsored Hospitals

Xukuang Hospital

Xukuang Hospital is a not-for-profit hospital organised in Jiangsu Province, the PRC. In September 2015, CR Hospital Investment, an indirect wholly-owned subsidiary of Ample Mighty entered into a service contract with Xukuang Hospital which has been terminated and replaced by a new consulting service contract which took effect from December 24, 2015. The consulting service contract which took effect from December 24, 2015 has been terminated and replaced by a new management services agreement which took effect from January 1, 2017.

Huaikuang Hospital Group

Huaikuang Hospital Group is a not-for-profit hospital organised in Jiangsu Province. CR Hospital Investment entered into a consulting services contract with Huaikuang Hospital Group which took effect as from May 1, 2016. The consulting service contract which took effect from May 1, 2016 has been terminated and replaced by a new management services agreement which took effect from January 1, 2017.

Brain Hospital

Brain Hospital is a not-for-profit hospital organised in Guangdong Province, the PRC. CR Hospital Investment entered into a consulting services contract with Brain Hospital, which took effect as from May 1, 2016. The consulting service contract which took effect from May 1, 2016 has been terminated and replaced by a new management services agreement which took effect from January 1, 2017.

All the management services agreements of the above three hospitals which took effect from January 1, 2017 are on largely the same terms and conditions, save for contracting parties. The management services agreements are entered between the Sponsored Hospitals and the wholly-owned subsidiaries of the Group. The term is 3 years and the parties will negotiate to renew the term every year and the term of 3 years will recount after every renewal. It is agreed in the management services agreements that the wholly-owned subsidiaries of the Group provides the Sponsored Hospitals with comprehensive management services support in the areas of brand, technology, human resources, medical resources, management information system and supply chain whilst receive agreed management fees. Pursuant to the management services agreements, it is agreed that the management fees to be received by the Group shall be comprised of supply chain management fees and hospital management fees. Among which, the supply chain management fees shall be determined with reference to the procurement of the Sponsored Hospitals multiplied by certain rates whereas the hospital management fees shall be determined with reference to certain percentages of the revenue and net income before tax generated by the Sponsored Hospitals.

7. Other Income

	Six months ended June 30	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Fee income from suppliers *(Note a)*	**–**	23,524
Interest and investment income on:		
financial products	**12,376**	10,347
receivables from IOT Hospitals *(Note b)*	**7,008**	6,402
bank deposits	**2,337**	1,895
loan to a Sponsored Hospital	**1,158**	–
Others	**431**	744
	23,310	42,912

Notes:

a. On January 10, 2012, the Group entered into a one-year supply agreement with a third party supplier for the supply of pharmaceuticals to Jian Gong Hospital, Yan Hua Hospital Group and Jing Mei Hospital Group. The agreement was renewed annually from then on. In consideration of granting to the supplier the priority to supply pharmaceuticals to these three hospitals, the supplier agrees to pay the Group a fee income, which represents the difference between the amount of the minimum economic benefit purchases (an amount calculated based on a percentage of the total pharmaceutical by the above three hospitals) and the gross profit generated by the Group from the direct sale of pharmaceuticals to the three hospitals. The agreement expired on December 31, 2016 and was not renewed. During the current interim period, the Group and the supplier changed the cooperation mode and entered into the agreement in relation to the joint development of a regional integrated pharmaceutical supply chain management system. Please refer to note 5 for details.

b. Pursuant to the IOT agreements and arrangements, the Group made the Repayable Investment Amounts, which are interest free and will be repaid to the Group in equal annual instalments during the tenure of the IOT arrangements. The Repayable Investment Amounts are 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.

8. Other Gains and Losses

	Six months ended June 30	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Foreign exchange gain	**1,270**	204
Gain on reclassification of investment in equity interests accounted for using the equity method to available-for-sale financial assets *(Note a)*		
Gain on partial disposal of equity interests in UMP	**115,358**	–
Healthcare Holdings *(Note b)*	**1,002**	–
Loss on deemed disposal of a joint venture *(Note15b)*	**(307)**	–
Fair value changes of mutual funds	**–**	(2,057)
Gain/(loss) on disposal of property, plant and equipment	**30**	(131)
	117,353	(1,984)

Note:

a. Gain on reclassification of investment in equity interests accounted for using the equity method to available-for-sale financial assets included: gain of RMB100,843,000 on the remeasurement of 109,257,000 shares held by the Group in UMP Healthcare Holdings at fair value as at June 15, 2017 as well as the reclassification of other comprehensive income of RMB14,515,000 relating to such equity interests as of June 15, 2017 to profit or loss item.

b. In June, 2017, the Group disposed 2,390,000 shares in UMP Healthcare Holdings through the secondary market and recorded gains on disposal of RMB1,002,000 in total. Please refer to Note 15a to the interim condensed financial report for details.

9. Share of Profit/(Loss) of Associates and Joint Ventures

	Six months ended June 30	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Share of profit/(loss) of associates:		
UMP Healthcare Holdings *(Note 15a)*	**5,993**	(8)
UMP Beijing *(Note 15b)*	**(494)**	–
	5,499	(8)
Share of profit/(loss) of joint ventures:		
Wugang joint venture	**391**	–
UMP Beijing *(Note 15b)*	**16,264**	(3,451)
	16,655	(3,451)

10. Income Tax Expense

Income tax expense recognised during both periods:

	Six months ended June 30	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
PRC enterprise income tax ("EIT")	**67,172**	29,200
Deferred tax	**(626)**	(9,663)
Total income tax recognised in profit or loss	**66,546**	19,537

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

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 periods.

11. Profit for the Period

The profit for the period has been arrived at after charging:

	Six months ended June 30	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**19,393**	13,814
Amortisation of lease prepayments for land use right	**1,688**	1,688
Amortisation of operating rights under IOT Arrangements (Included in cost of sales and services)	**9,920**	9,428
Total depreciation and amortisation	**31,001**	24,930
Operating lease rentals in respect of rented premises	**1,859**	1,864

12. Dividends

On June 16, 2017, a resolution was passed at the annual general meeting. The Company declared the final dividend of HK$6.3 cents per share in respect of the year ended December 31, 2016 with total dividends of approximately HK$81,691,000 (equivalent to approximately RMB70,901,000) to shareholders whose names appear on the register of members of the Company on 27 June 2017. The dividend was paid on July 28, 2017.

On January 8, 2016, the Company distributed a special dividend of HK$12 cents per share in respect of the year of 2015 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 January 8, 2016.

The Board of Directors do not recommend the payment of an interim dividend for the six months ended June 30, 2017 (six months ended June 30, 2016: nil).

13. Earnings per Share

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

	Six months ended June 30	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit for the purpose of basic and diluted earnings per share for the year attributable to equity holders of the Company	**324,924**	130,312
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(in thousands)*	**1,278,838**	822,680
Effect of dilutive potential ordinary shares *(in thousands)*	**4,317**	1,623
Weighted average number of ordinary shares for the purpose of diluted earnings per share *(in thousands)*	**1,283,155**	824,303

The weighted average number of shares used for the purpose of calculating the basic (loss) earnings per share for the half year ended June 30, 2017 and 2016 has been arrived at after adjusting the effect of shares repurchased and held by the Company's Share Award Scheme.

14. Property, Plant and Equipment

The Group's expense on property, plant and equipment (mainly including the addition of medical devices and reconstruction of inpatient rooms) was RMB12,895,000 for the six months ended June 30, 2017 (six months ended June 30, 2016: RMB13,435,000).

15. Interests in Associates and Joint Ventures

	As at	
	June 30	December 31
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Interests in associates:		
UMP Healthcare Holdings *(Note a)*	**–**	163,338
UMP Beijing *(Note b)*	**24,004**	–
Total	**24,004**	163,338
Interests in joint ventures:		
Wugang joint venture	**506,553**	506,161
UMP Beijing *(Note b)*	**–**	7,487
Total	**506,553**	513,648

Note:

a. UMP Healthcare Holdings

	RMB'000 (Unaudited)
As at December 31, 2016	163,338
Gains on investment in an associate under the equity method	5,993
Share of other comprehensive income of an associate under the equity method	(2,718)
Cash dividends declared	(489)
As at May 31, 2017	166,124
Partial disposal of shares in an associate	(1,737)
Carrying value under the equity method as at June 15, 2017	164,387
Remeasurement at fair value as at June 15, 2017	265,230
Gain on revaluation	100,843

On July 13, 2015, Pinyu entered into an agreement with True Point Holdings Limited ("True Point") to acquire a total of 110,411,000 shares, representing 20% of the then total issued shares of UMP Healthcare Holdings, for a total consideration of HK$180,000,000. On November 27, 2015, UMP Healthcare Holdings (stock code: 722) completed its global offering and was listed on the Main Board of the Stock Exchange by issuing 184,000,000 ordinary shares of HK$0.001 each. After the completion of the global offering, the equity interest in UMP Healthcare Holdings of Pinyu decreased to 15%. On May 8, 2017, UMP Healthcare Holdings issued 1,492,000 new shares pursuant to the exercise of share options by its directors and employees under the Pre-IPO Share Option Scheme, resulting in an increase of total issued shares to 737,492,000 shares. Accordingly, the Group's shareholding in UMP Healthcare Holdings was diluted to 14.97%.

The Directors of the Group consider the Group has been able to participate in the financial and operating policy decisions of UMP Healthcare Holdings through the Group's voting power and a board representative nominated by the Group from July 13, 2015 to June 15, 2017. Accordingly, the Group accounted for the investment as an associate and measured under the equity method. From June 1, 2017 to June 15, 2017, the Group disposed 1,154,000 shares in UMP Healthcare Holdings through the secondary market at an average trading price of approximately HK$2.83 per share. As of June 15, 2017, the Group had 109,257,000 shares in UMP Healthcare Holdings and the carrying value of the investment amounted to approximately RMB164,387,000.

As the Group no longer holds any directorship in UMP Healthcare Holdings from June 15, 2017 and taking into account other factors, the Directors considered that the Group has lost its significant influence over UMP Healthcare Holdings. Accordingly, under the requirements of IAS 28 "Investments in Associates and Joint Ventures", all of the approximately 109 million shares held by the Group in UMP Healthcare Holdings as at June 15, 2017 (i.e. the date of transfer) were reclassified from investment in an associate to available-for-sale financial assets. On the date of transfer, the closing price of shares of UMP Healthcare Holdings quoted on the Hong Kong Stock Exchange was HK$2.79 per share. Accordingly, the fair value of the shares held by the Group in UMP Healthcare Holdings was revalued at RMB265,230,000.

b. UMP Beijing

	RMB'000
	(Unaudited)
As at December 31, 2016	7,487
Gains on investment in a joint venture under the equity method	16,264
Other comprehensive income of a joint venture under the equity method	1,264
Loss on deemed disposal of a joint venture	(307)
As at March 24, 2017	24,708
Gains on investment in associates under the equity method	(494)
Other comprehensive income of associates under the equity method	(210)
As at June 30, 2017	24,004

On July 13, 2015, True Point, UMP Healthcare Holdings, UMP China, the Company, Pinyu and UMP Beijing 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 Beijing as of December 31, 2016. 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. UMP Beijing was held as to 50% by Pinyu and 50% by UMP China.

According to the announcement of UMP Healthcare Holdings dated December 15, 2016, UMP Healthcare Holdings would, through UMP China, subscribe for 6,668 shares in UMP Beijing, at a consideration of RMB32.33 million. UMP Beijing shall be renamed as UMP Healthcare (Beijing) Group Limited. Immediately after the completion of the subscription, UMP Beijing will be owned as to 70% by UMP China and 30% by the Group and will become a non-wholly-owned subsidiary of UMP Healthcare Holdings. On February 27, 2017, the transaction had been approved by the extraordinary general meeting of UMP Healthcare Holdings. On March 23, 2017, UMP Healthcare Holdings announced that all the conditions relating to the transaction were satisfied and the transaction was completed.

From January 1, 2017 to March 23, 2017, the Group accounted for the investment in UMP Beijing as a joint venture for the purpose of management and recognised gains on investment totaling RMB16,264,000 by using the equity method, mainly attributable to the share of gains on disposal of 3 clinics by UMP Beijing. Since March 24, 2017, as the Group's shareholding in UMP Beijing decreased to 30% and lost the joint control over it, the Group accounted for UMP Beijing as an associate of the Group for the purpose of management and recognised loss on deemed disposal of an associate of approximately RMB307,000. As of June 30, 2017, the Group's investment in UMP Beijing had a book balance of approximately RMB24.004 million.

16. Available-for-sale Financial Assets

	RMB'000 (Unaudited)
Fair value as at June 15, 2017	265,230
Disposal of available-for-sale financial assets	(3,000)
Change in fair value of available-for-sale financial assets as at the end of the period	15,281
Fair value as at June 30, 2017	277,511

On June 15, 2017, the Group lost its significant influence over UMP Healthcare Holdings. UMP Healthcare Holdings is a company listed on the Stock Exchange and the equity has quoted bid price in active markets. Accordingly, the Group managed the equity interests held in UMP Healthcare Holdings as available-for-sale financial assets and measured at fair value.

From June 16, 2017 to June 30, 2017, the Group disposed 1,236,000 shares in UMP Healthcare Holdings through the secondary market at an average disposal price of approximately HK$2.49 per share. As of June 30, 2017, the Group had 108,021,000 shares in UMP Healthcare Holdings with a closing price of HK$2.96 per share on that date. The Group remeasured the available-for-sale financial assets at fair value according to IFRS 9 Financial Instruments and adjusted the carrying value to approximately RMB277,511,000, with corresponding gains on changes in fair value of approximately RMB15,281,000 included in other comprehensive income.

17. Trade Receivables, Prepayments and Other Receivables

	As at June 30 2017 *RMB'000* **(Unaudited)**	As at December 31 2016 *RMB'000* (Audited)
Trade receivables *(Note a)*	**331,717**	255,924
Less: provisions for bad debt	**–**	–
	331,717	255,924
Prepayments and other receivables *(Note b)*	**18,877**	43,533
Less: provisions for bad debt	**–**	–
	18,877	43,533
	350,594	299,457

Note:

a. Trade receivables

The Group allows a credit period of approximately 60 days for the general healthcare service to the patients which is due from medical insurance programs, 60 days to 120 days for the sales of pharmaceutical, medical devices and medical consumables to the IOT Hospital, and 90 days to 180 days for the hospital management services to the IOT Hospitals and consulting services to the Sponsored Hospitals after issuing the invoice.

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

	As at	
	June 30	December 31
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**322,789**	218,325
Over one year	**8,928**	37,599
	331,717	255,924

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

b. Prepayments and other receivables

The prepayments and other receivables of the Group include current portion of receivables from IOT Hospitals, current portion of lease prepayment for land use right, prepayment to suppliers, etc.

18. Short-term Investments, Certificate of Deposit and Cash and Cash Equivalents

	As at	
	June 30	December 31
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Short-term investments *(Note a)*	**473,200**	66,400
Certificate of deposit *(Note b)*	**54,356**	52,806
Cash and cash equivalents *(Note c)*	**805,306**	1,069,468
	1,332,862	1,188,674

Note:

a. The financial products were operated by banks, with expected annual return ranging from 2.5% to 4.7% per annum which have been designated as financial assets at fair value through profit or loss ("FVTPL"). The maturity of the financial products as at June 30, 2017 is by September, 2017 (the maturity of the financial products as at December 31, 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.

b. As at June 30, 2017, the certificate of deposit of RMB54,356,000 (December 31, 2016: RMB52,806,000) carried interest rate at 4.1% (December 31, 2016: 7.8%) per annum, which will mature on September 20, 2017.

c. Bank balances carried interest at market rates which range from 0.01% to 2.15% per annum over both periods.

19. Trade Payables and Other Payables

	As at June 30 2017 *RMB'000* **(Unaudited)**	As at December 31 2016 *RMB'000* (Audited)
Trade payables *(Note a)*	**209,321**	242,757
Other payables *(Note b)*	**113,009**	120,655
	322,330	363,412

Note:

a. 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 both Reporting Periods, based on the date of delivering of goods, is as follows:

	As at June 30 2017 *RMB'000* **(Unaudited)**	As at December 31 2016 *RMB'000* (Audited)
Within one year	**207,821**	242,239
Over one year	**1,500**	518
	209,321	242,757

b. The other payables of the Group include staff cost payables, other PRC tax payable (taxes other than income tax), deposits from suppliers or patients, etc.

20. Short-term Borrowings

	As at June 30 2017 *RMB'000* **(Unaudited)**	As at December 31 2016 *RMB'000* (Audited)
Short-term borrowings *(Note)*	**130,188**	–

Note: On March 27, 2017, the Group obtained banking facilities (revolving term loans) with a credit line of HK$800 million (or its U.S. dollar or RMB equivalents) (December 31, 2016: nil) from a bank in Hong Kong. On April 7, 2017, the Group made a bank borrowing of HK$150,000,000 (equivalent to RMB130,188,000) with rolling terms, the loan carried interest at HIBOR plus a certain margin. Based on the interest incurred, the Company will select the next rolling term before the maturity of the loan.

21. Share Capital

	Number of shares	Share capital	Share capital
		HK$'000	*RMB'000*
Ordinary shares of HK$0.00025 each			
Authorised			
At January 1, 2016 and at December 31, 2016 and June 30, 2017	1,520,000,000	380	302
Issued and fully paid			
At January 1, 2016	833,763,000	209	166
At December 31, 2016 and June 30, 2017	1,296,676,516	325	267

22. Financial Instruments and Financial Risk Management

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 Sponsored Hospitals and other payables. The risks associated with these financial instruments include market risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Fair value of financial instruments

Some of the Group's financial assets are measured at fair value at the end of each Reporting Period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value as at *(RMB'000)*		Fair value hierarchy	Valuation technique(s) and key input(s)
	June 30 2017	31 December 2016		
Available-for-sale financial assets	**277,511**	–	Level 1	Quoted bid prices in an active market
Short-term investments	**473,200**	66,400	Level 2	Determined in accordance with generally accepted pricing models based on discounted cash flow analysis. Future cash flows are estimated based on return rates.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in these consolidated financial statements approximate their fair values.

23. Capital and Other Commitments

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

	As at	
	June 30	December 31
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Capital expenditure		
In respect of acquisition of property, plant and equipment	**8,482**	9,803
Other commitments		
In respect of Repayable Investment		
Amounts to IOT hospitals under IOT agreements	**538,000**	538,000

24. Contingent Liabilities

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

25. Related Party Transactions and Balances

25.1 Names and relationships

Names and relationships with related parties are as follows:

Name	**Relationship**
Yan Hua Hospital Group	Entity controlled by a shareholder
UMP Beijing	A joint venture/an associate
CR Wugang	A joint venture
UMP Healthcare Holdings	An associate during the period between January 1, 2016 and June 15, 2017
Subsidiaries controlled by China Resources National Corporation ("CR National")	Fellow subsidiaries of CR Healthcare Group which has a significant influence over the Group

25.2 Related party balances

The Group's amounts due from the related parties are denominated in RMB, unsecured, interest-free and recoverable within one year. As at June 30, 2017 and December 31, 2016, the Group did not have amount due from related parties which was past due. The amounts due to the related parties are unsecured, interest-free and repayable on demand. As at the end of the Reporting Period, the Group had the following balances with related parties:

Balances with Yan Hua Hospital Group, a related party:

		As at	
		June 30 2017	December 31 2016
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Receivables from Yan Hua Hospital Group:			
Trade receivables	Trade in nature	**60,709**	66,468
Receivables from the IOT Hospitals	Refundable IOT investment	**34,067**	32,291
Less: current portion included in prepayments and other receivables		**(3,262)**	(3,262)
Non-current portion		**30,805**	29,029
Total receivables		**94,776**	98,759
Payables to Yan Hua Hospital Group:			
Trade payables	Trade in nature	**–**	34

Balances with subsidiaries controlled by CR National:

		As at	
		June 30 2017	December 31 2016
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Receivables from subsidiaries controlled by CR National:			
Receivables	Trade in nature	**870**	–
Receivables	Non-trade in nature	**1,825**	1,760
		2,695	1,760
Payables to subsidiaries controlled by CR National:			
Payables	Trade in nature	**6,747**	3,114
Payables	Non-trade in nature	**3,571**	3,766
Payables		**10,318**	6,880

25.3 Related party transactions

Trade in nature

		Six months ended June 30	
		2017	2016
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Hospital management and consulting services	Yan Hua Hospital Group	**–**	15,516
GPO business	Yan Hua Hospital Group	**122,555**	135,078
Purchases of Goods	Subsidiaries controlled by CR National	**18,576**	5,131
Management and consulting services	Subsidiaries controlled by CR National	**870**	–

25.4 Compensation of key management personnel

The emoluments of directors during both periods are as follows:

	Six months ended June 30	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term employees benefits	**3,115**	6,574
Post-employment benefits	**50**	115
	3,165	6,689

26. Subsequent Event

At the close of business on August 22, 2017, the closing price of shares of UMP Healthcare Holdings quoted on the Hong Kong Stock Exchange was HK$2.27 per share, representing a decrease of approximately 23% as compared to the close of business on June 30, 2017. When calculating based on the number of shares of UMP Healthcare Holdings held by the Group as at June 30, 2017 and the closing price of these shares quoted on the Hong Kong Stock Exchange on August 22, 2017, the fair value of available-for-sale financial assets decreased by approximately RMB68.79 million.

Save for the aforesaid, the Group has no other major subsequent events.

Management Discussion and Analysis

China healthcare services industry

At present, China has stepped into an 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 becomes 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. As stated in the Outline of "Healthy China 2030" Plan《("健康中國2030"規劃綱要》) issued by the Central Committee of the Communist Party of China and State Council of the PRC in October 2016, it is estimated that the total scale of the Chinese healthcare industry will exceed RMB8 trillion in 2020 and expand to a size of RMB16 trillion in 2030.

Meanwhile, the in-depth development of the national healthcare system reform is underway and focuses on providing preliminary healthcare services to all people based on the principle of "maintaining basic coverage, enhancing capabilities of lower-level medical institutions and facilitating the system and mechanism", aiming to develop three medical linkages among healthcare, medical insurance and medication ("三 醫 聯 動"). The coverage of the national healthcare protection continues to expand. The public hospital reform has entered a crucial period in which structural innovations under the concept of "divesting public service units from government" continues to progress. While assuring the accessibility and affordability of national preliminary healthcare services, the healthcare reform aims to better satisfy the multi-level and diverse 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 general 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 China's healthcare services industry will provide a favorable environment for hospital management groups with rich experience in healthcare reform and advantages of economies of scale.

The year 2017 is of significance that marks the pursuit and accordingly, the launch of the vision of National Hygiene and Health Conference and the implementation of the 13th Five-Year Plan for Deepening the Medical and Health System Reform. It is also a critical year to expedite the reform of State-owned enterprises and assets. The State has rolled out or will introduce a series of major favorable policies:

1. The State-owned enterprises reform. On the basis of the requirements of 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), on August 3, 2017, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) promulgated the "Guiding Opinions on Deepening the Reform of Education and Medical Institutions Established by State-owned Enterprises" (Guo Zi Fa Gai Ge [2017] No.134) (《國有企業辦教育醫療機構深化改革的指導意見》(國資發改革[2017]134號)). The Guiding Opinions require that medical institutions established by State-owned enterprises shall be categorized with differentiated policies and deepening reform. Besides, the centralized management, restructuring or transferring of medical institutions established by State-owned enterprises shall be basically accomplished by the end of 2018. The Guiding Opinions also explicitly support State-owned enterprises which principally engage in the healthcare industry to carry out resources integration on medical institutions established by State-owned enterprises through asset transfer, gratuitous transfer, escrow, etc. in order to achieve professional operation and centralized management. In particular, CR Holdings is the state-owned enterprise recognized by the SASAC principally engaging in healthcare industry.

2. The medical and healthcare system reform. As a guidance for the development of healthcare industry in China during the "13th Five-Year Plan", the "13th Five-Year Plan for Hygiene and Healthcare" (Guo Fa [2016] No.77) (《"十三五"衛生與健康規劃》(國發[2016]77號)) issued by the State Council requires to devote great endeavors to the development of private hospitals and the expedited 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. On May 23, 2017, the "Opinions of the General Office of the State Council on Encouraging Social Forces to Provide Multi-layered and Diverse Healthcare Services"(Guo Ban Fa [2017] No.44) (國務院辦公廳《關於支持社會力量提供多層次多樣化醫療服務的意見》(國辦發[2017]44號)) explicitly stated that public hospitals are allowed to establish new not-for-profit hospital institutions under cooperation with the private sector. Public hospitals and private medical institutions are encouraged to cooperate with each other in the areas of talents, management, services, technology and brand, with an aim to support the private sector in developing multi-layered and diverse healthcare services.

The successive launch of major policies for deepening State-owned enterprises reform and healthcare system reform has created unprecedented opportunities and room for the leaping development of professional hospital management groups in China. During the critical window period when two reform policies converge, the Group will further consolidate its leading position in China's healthcare industry by accelerating its mergers and acquisitions as well as integration.

Business Review

In the first half of 2017, the integration of various businesses of the Group progressed smoothly. During the Reporting Period, the Group's revenue reached RMB862 million, representing an increase of 22.3% as compared to the same period of 2016. Net Profit amounted to RMB331 million, representing an increase of 145.3% as compared to the same period of 2016. Net Profit (excluding non-recurring profit or loss items) amounted to RMB193 million, representing an increase of 43.0% as compared to the same period of 2016.

As of June 30, 2017, the network of the Group covers 108 medical institutions under investment, management or contractual arrangement, with approximately 11,885 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, 87 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.

List of Medical Institutions under the Group's investment, management or contractual arrangement as of June 30, 2017

Province	Grade III Hospital	Grade II Hospital	Grade I Hospital	Community and Medical Clinic	Total
Beijing	2	6	12	37	57
Hebei	1	1			2
Jiangsu		1			1
Anhui	1	6	13	5	25
Hubei	2		4	15	21
Guangdong	1			1	2
Total	7	14	29	58	108

Operational indicators of medical institutions managed by the Group

During the Reporting Period, medical institutions managed by the Group (Jian Gong Hospital, Yan Hua Hospital Group, 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 RMB3.057 billion, representing a year-on-year organic increase of 8.5% (The total revenue of above-mentioned medical institutions amounted to RMB2.818 billion during the corresponding period of 2016).

The total revenue of medical institutions managed by the Group in Beijing for the healthcare operation amounted to RMB1.671 billion, representing a year-on-year increase of 7.7%. The total number of patient visits was 2,365,380, representing a year-on-year decrease of 1.6%. The number of outpatient visits amounted to 2,327,797, representing a year-on-year decrease of 1.7%. The average spending per outpatient visit amounted to RMB422, representing a year-on-year increase of 7.4%. The number of inpatient visits amounted to 37,583, representing a year-on-year increase of 4.2%. The average spending per inpatient visit amounted to RMB17,208, representing a year-on-year increase of 3.4%. The average length of hospitalization was 16.3 days, which remained stable as compared to the same period of last year. The number of beds in operation was 3,895, representing a year-on-year increase of 4.3%. The bed utilization rate was 87.8%, representing a year-on-year increase of 0.6 percentage point.

The total revenue of medical institutions managed by the Group outside Beijing for the healthcare operation amounted to RMB1.386 billion, representing a year-on-year increase of 9.5%. The total number of patient visits was 1,423,279, representing a year-on-year increase of 11.3%. The number of outpatient visits amounted to 1,338,082, representing a year-on-year increase of 11.4%. The average spending per outpatient visit amounted to RMB285, representing a year-on-year decrease of 1.7%.The number of inpatient visits amounted to 85,197, representing a year-on-year increase of 8.7%. The average spending per inpatient visit amounted to RMB11,290, representing a year-on-year increase of 2.3%. The average length of hospitalization was 11.0 days, representing a year-on-year decrease of 5.2%. The number of beds in operation was 6,102, representing a year-on-year increase of 1.7%. The bed utilization rate was 85.0%, representing a year-on-year increase of 1.4 percentage points.

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

1. Jiangong Hospital

	Unit	**January to June 2017**	January to June 2016	**Change**
Patient visits	times	**382,523**	392,336	(2.5%)
Outpatient visits	times	**376,618**	386,260	(2.5%)
Inpatient visits	times	**5,905**	6,076	(2.8%)
Average spending per outpatient visit	RMB yuan	**489**	443	10.4%
Average spending per inpatient visit	RMB yuan	**18,781**	17,905	4.9%
Average length of hospitalization	day	**9.5**	9.5	0.0%
Number of beds in operation	bed	**393**	396	(0.8%)

2. Yanhua Hospital Group

	Unit	**January to June 2017**	January to June 2016	**Change**
Patient visits	times	**449,768**	477,783	(5.9%)
Outpatient visits	times	**440,941**	468,801	(5.9%)
Inpatient visits	times	**8,827**	8,982	(1.7%)
Average spending per outpatient visit	RMB yuan	**534**	480	11.3%
Average spending per inpatient visit	RMB yuan	**17,216**	17,037	1.1%
Average length of hospitalization	day	**13.4**	14.2	(5.6%)
Number of beds in operation	bed	**708**	663	6.8%

3. Jing Mei Hospital Group

	Unit	**January to June 2017**	January to June 2016	**Change**
Patient visits	times	**552,179**	575,530	(4.1%)
Outpatient visits	times	**539,368**	563,435	(4.3%)
Inpatient visits	times	**12,811**	12,095	5.9%
Average spending per outpatient visit	RMB yuan	**473**	436	8.5%
Average spending per inpatient visit	RMB yuan	**19,367**	17,355	11.6%
Average length of hospitalization	day	**25.7**	24.9	3.2%
Number of beds in operation	bed	**1,862**	1,789	4.1%

4. Mentougou Hospital

	Unit	**January to June 2017**	January to June 2016	**Change**
Patient visits	times	**326,879**	335,941	(2.7%)
Outpatient visits	times	**321,098**	330,400	(2.8%)
Inpatient visits	times	**5,781**	5,541	4.3%
Average spending per outpatient visit	RMB yuan	**375**	346	8.4%
Average spending per inpatient visit	RMB yuan	**15,984**	17,328	(7.8%)
Average length of hospitalization	day	**11.4**	12.1	(5.8%)
Number of beds in operation	bed	**496**	466	6.4%

5. Mentougou Traditional Chinese Medicine Hospital

	Unit	**January to June 2017**	January to June 2016	**Change**
Patient visits	times	**266,803**	261,027	2.2%
Outpatient visits	times	**265,742**	260,080	2.2%
Inpatient visits	times	**1,061**	947	12.0%
Average spending per outpatient visit	RMB yuan	**337**	347	(2.9%)
Average spending per inpatient visit	RMB yuan	**12,612**	11,837	6.5%
Average length of hospitalization	day	**14.8**	14.3	3.5%
Number of beds in operation	bed	**120**	120	0.0%

6. Mentougou Hospital for Women and Children

	Unit	**January to June 2017**	January to June 2016	**Change**
Patient visits	times	**78,910**	62,994	25.3%
Outpatient visits	times	**77,956**	62,576	24.6%
Inpatient visits	times	**954**	418	128.2%
Average spending per outpatient visit	RMB yuan	**242**	222	9.0%
Average spending per inpatient visit	RMB yuan	**4,918**	5,014	(1.9%)
Average length of hospitalization	day	**5.5**	5.9	(6.8%)
Number of beds in operation	bed	**48**	34	41.2%

7. Shunyi District Konggang Hospital

	Unit	**January to June 2017**	January to June 2016	**Change**
Patient visits	times	**236,421**	228,630	3.4%
Outpatient visits	times	**234,390**	226,864	3.3%
Inpatient visits	times	**2,031**	1,766	15.0%
Average spending per outpatient visit	RMB yuan	**251**	235	6.8%
Average spending per inpatient visit	RMB yuan	**12,001**	10,192	17.7%
Average length of hospitalization	day	**9.6**	10.2	(5.9%)
Number of beds in operation	bed	**168**	168	0.0%

8. The Second Hospital of Shunyi District

	Unit	**January to June 2017**	January to June 2016	**Change**
Patient visits	times	**71,897**	69,809	3.0%
Outpatient visits	times	**71,684**	69,578	3.0%
Inpatient visits	times	**213**	231	(7.8%)
Average spending per outpatient visit	RMB yuan	**262**	235	11.5%
Average spending per inpatient visit	RMB yuan	**4,163**	4,366	(4.6%)
Average length of hospitalization	day	**9**	8	12.5%
Number of beds in operation	bed	**100**	100	0.0%

9. Baoding Third Centre Hospital

	Unit	**January to June 2017**	January to June 2016	**Change**
Patient visits	times	**22,976**	17,967	27.9%
Outpatient visits	times	**21,245**	16,297	30.4%
Inpatient visits	times	**1,731**	1,670	3.7%
Average spending per outpatient visit	RMB yuan	**312**	306	2.0%
Average spending per inpatient visit	RMB yuan	**13,133**	13,379	(1.8%)
Average length of hospitalization	day	**12.7**	15	(15.3%)
Number of beds in operation	bed	**243**	243	0.0%

10. Guangdong 999 Brain Hospital

	Unit	**January to June 2017**	January to June 2016	**Change**
Patient visits	times	**120,177**	97,692	23.0%
Outpatient visits	times	**107,950**	85,419	26.4%
Inpatient visits	times	**12,227**	12,273	(0.4%)
Average spending per outpatient visit	RMB yuan	**797**	854	(6.7%)
Average spending per inpatient visit	RMB yuan	**28,670**	25,784	11.2%
Average length of hospitalization	day	**14.6**	14.6	0.0%
Number of beds in operation	bed	**779**	779	0.0%

11. Wugang Hospital Group

	Unit	**January to June 2017**	January to June 2016	**Change**
Patient visits	times	**555,942**	495,948	12.1%
Outpatient visits	times	**528,055**	470,018	12.3%
Inpatient visits	times	**27,887**	25,930	7.5%
Average spending per outpatient visit	RMB yuan	**271**	278	(2.5%)
Average spending per inpatient visit	RMB yuan	**9,808**	8,839	11.0%
Average length of hospitalization	day	**10.9**	11.2	(2.7%)
Number of beds in operation	bed	**1,945**	1,842	5.6%

12. Huaikuang Hospital Group

	Unit	**January to June 2017**	January to June 2016	**Change**
Patient visits	times	**645,880**	591,383	9.2%
Outpatient visits	times	**611,161**	561,454	8.9%
Inpatient visits	times	**34,719**	29,929	16.0%
Average spending per outpatient visit	RMB yuan	**208**	215	(3.3%)
Average spending per inpatient visit	RMB yuan	**6,812**	7,334	(7.1%)
Average length of hospitalization	day	**10.1**	10.9	(7.3%)
Number of beds in operation	bed	**2,735**	2,735	0.0%

13. Xukuang Hospital

	Unit	January to June 2017	January to June 2016	Change
Patient visits	times	**68,160**	65,422	4.2%
Outpatient visits	times	**59,527**	56,827	4.8%
Inpatient visits	times	**8,633**	8,595	0.4%
Average spending per outpatient visit	RMB yuan	**282**	304	(7.2%)
Average spending per inpatient visit	RMB yuan	**9,097**	8,992	1.2%
Average length of hospitalization	day	**9.7**	10.1	(4.0%)
Number of beds in operation	bed	**500**	400	25.0%

14. 999 Clinic

	Unit	January to June 2017	January to June 2016	Change
Patient visits	times	**10,144**	10,731	(5.5%)
Outpatient visits	times	**10,144**	10,731	(5.5%)
Average spending per outpatient visit	RMB yuan	**202**	181	11.6%

Business Outlook

The Group will focus on the business model of "hospital group +" to expand hospital network and explore business potentials of hospitals in full swing. Meanwhile, the Group will eagerly respond to the State's strategy of the development of great healthcare industry, reform on separation of prescribing from dispensing as well as hierarchical diagnosis and treatment policy by focusing on the enhancement of comprehensive management capability of hospitals while adopting the hospital group based operation mode to satisfy the public's diverse and multi-level needs for healthcare services.

Looking ahead, the Group will continue to focus on the integration of the acquired hospitals and substantial enhancement of their efficiency in operation and management, fully capitalize on the policy of the public hospital reform and continue to expand its scale of quality medical resources. The Group will also continue to integrate various resources of our strategic shareholders, actively promote the mutual sharing of hospital network scale by leveraging the synergy between the State-owned medical industrial resources of our strategic shareholders and the Group's experiences in hospital restructure and hospital operation and management so as to increase the cost effectiveness generally through economies of scale.

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) management of our not-for-profit hospitals (hereinafter referred as "Sponsored Hospitals")/IOT hospitals and clinics and collection of management fees accordingly, and the collective management of the Group's supply chain service 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 technology and other 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:

	Six months ended 30 June,	
	2017	2016
	RMB'000	*RMB'000*
Revenue	**316,719**	282,883
Cost of sales and services	**(254,395)**	(238,626)
Gross profit	**62,324**	44,257

During the Reporting Period, revenue from our general healthcare services segment reached RMB317 million, accounted for 36.7% of our total revenue in the first half of 2017 and representing an increase of 12% as compared to the same period of 2016. This was mainly due to the increase in average spending per inpatient and outpatient visit of Jian Gong Hospital as well as the recovery and recognition of medical insurance balance of approximately RMB16.36 million.

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 Reporting Period, the cost of sales and services of general healthcare services grew to RMB254 million, representing an increase of 6.6% as compared to the same period in 2016 which was slower than the growth of revenue. As a result, the gross profit margin of our general healthcare services rose to 19.7% (same period in 2016: 15.6%).

Hospital management and consulting services

We managed and operated a total of 105 not-for-profit hospitals, of which not-for-profit hospitals with sponsorship rights amounted to 48 in total, and a total of 57 hospitals managed and operated under the IOT model in the first half of 2017. In return, we were entitled to receive from each hospital or the hospital sponsors management service fees, which are primarily calculated on the basis of percentage of revenue and/or net balance of income and expenditure generated by the hospitals and clinics under our management. Accordingly, the management service fees we receive depend on the performance of such hospital and clinic. For certain specific hospitals, our management service fees are dependent of profitability and performance reviews.

The Group also entered into an agreement with a third party supplier for the joint development of a regional and integrated pharmaceutical supply chain management system ("Supply Chain Joint Development Agreement"), which became effective from January 1, 2017. With our four in-network hospitals as the main service targets, we cooperate with this supplier to develop the regional and integrated pharmaceutical supply chain management system, supply and establish regional pharmaceutical supply chain management platforms, optimize our pharmaceutical inventory and logistics management, develop services such as supply chain financing, and charge hospital supply chain management services fees based on a percentage of relevant pharmaceutical purchases. In the first half of 2017, the Group obtained management fee income of approximately RMB51,383,000.

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:

	Six months ended 30 June,	
	2017	2016
	RMB'000	*RMB'000*
Revenue	**162,278**	43,142
Among which: revenue from a third party *(note)*	**51,383**	–
revenue from hospitals under the our management	**110,895**	43,142
Cost of sales and services	**(12,425)**	(9,428)
Gross profit	**149,853**	33,714
Other income *(note)*	**–**	23,524
Total	**149,853**	57,238

Note: The Group and a third party supplier have implemented the Supply Chain Joint Development Agreement since 1 January, 2017. The supply agreement signed with the supplier in 2016 was expired on 31 December, 2016 and not renewed.

During the period under review, revenue from our hospital management and consulting services segment reached RMB160 million, accounted for 18.8% of our total revenue in the first half of 2017 and representing an increase of 276.1% as compared to the same period in 2016. This was mainly attributable to the 6 months' management service fee income of our hospitals as a result of the acquisition of Ample Mighty on October 31, 2016 and the management fees received under the Supply Chain Joint Development Agreement we signed with a third party supplier at the beginning of 2017.

Among the abovementioned, the revenue from our hospital management and consulting services increased to RMB110 million, representing an increase of 157% as compared to the same period in 2016. The following table sets out the revenue derived from our sponsored hospitals and IOT hospitals:

	Six months ended 30 June,	
	2017	2016
	RMB'000	*RMB'000*
Not-for-profit hospitals with sponsorship rights	**82,360**	–
Hospitals managed under the IOT model	**28,535**	43,142
Total	**110,895**	43,142

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 management service income from Guangdong 999 Brain Hospital, Huaikuang Hospital Group and Xukuang Hospital of Ample Mighty for the first half of 2017 amounting to a total of RMB82.36 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 the first half of 2017, the management fees of hospitals managed and operated under the IOT model amounted to RMB28.54 million, representing a decrease of RMB14.61 million as compared to the same period in 2016 or a year-on-year decrease of 33.9%. This was mainly attributable to the following factors: with the impact of the medical reform policies in Beijing during the first half of 2017, the number of total patient visits at Yan Hua Hospital Group decreased as compared to the same period in 2016; as the hospital's net profit significantly decreased due to the increase in labor cost, Yan Hua Hospital Group did not contribute any management fees as of the end of the first half of 2017 (same period in 2016: RMB15.52 million).

The cost of sales and services of the Group's hospital management services were the amortization of operating rights under IOT agreements, amounting to RMB12.43 million in the first half of 2017, representing an increase of 31.8% as compared to the same period in 2016, due to (i) the six-month amortization during the year of investment of RMB32 million in Baoding Third Center Hospital in September 2016 (same period last year: nil); and (ii) the increase in fees relating to the provision of management services to the Sponsored Hospitals (same period last year: nil).

During the Reporting Period, the aggregate net profit of the Group's hospital management and consulting services segment reached RMB150 million, representing an increase of 161.8% as compared to the same period in 2016. This was mainly attributable to the revenue of the hospital management as a result of the acquisition of Ample Mighty as well as the increase in revenue from third-party hospital supply chain management.

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:

	Six months ended 30 June,	
	2017	2016
	RMB'000	*RMB'000*
Revenue (before inter-segment elimination)	**451,241**	469,818
Cost of sales and services	**(349,444)**	(365,715)
Gross profit	**101,797**	104,103

Revenue from the GPO business segment of the Group (before inter-segment elimination) decreased to RMB451 million, representing a decrease of 4% as compared to the same period in 2016. This was mainly attributable to the direct pharmaceutical supply from third party supplier to our hospitals increased whereas that supplied through the supply chain subsidiaries of the Group decreased after the Group had commenced the joint development of a regional integrated pharmaceutical supply chain management system with suppliers in 2017. After the inter-segment revenue from sales to Jian Gong Hospital in the amount of RMB81.75 million was eliminated against total revenue, the revenue from our GPO business segment accounted for 42.9% of our total revenue in the first half of 2017.

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 the first half of 2017, the cost of sales and services generated from the Group's GPO business segment amounted to RMB349 million, representing a decrease of 4.4% as compared to the same period in 2016.

During the period under review, the gross profit of the GPO business segment of the Group decreased by approximately 2.2% to RMB102 million but the gross profit margin increased slightly to 22.6%. (same period in 2016: 22.2%).

Other hospital-derived services

Revenue from the other hospital-derived services segment of the Group in the first half of 2017 was primarily derived from the provision of specialized medical technology and other advisory services to business cooperators based on our hospital network resources and management 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:

	Six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
Revenue	**13,629**	–
Cost of sales and services	**(4,494)**	–
Gross profit	**9,135**	–

Revenue from the other hospital-derived services segment of the Group reached RMB13.63 million, accounting for 1.6% of our total revenue for the same period in 2016. The cost of sales and services of the other hospital-derived services segment of the Group mainly represents labour costs.

Gross Profit

In the first half of 2017, the gross profit of the Group amounted to RMB323 million in aggregate, representing an increase of 77.5% from the same period in 2016. Due to the significant increase in revenue and gross profit margin contributed by the Group's hospital management consulting services segment and general healthcare services segment, the aggregate gross profit margin increased to 37.5% (first half of FY2016: 25.8%).

Other Income

Other income amounted to RMB23.31 million, representing a decrease of 45.7% from the same period in 2016, mainly due to the absence of fee income from suppliers (same period in 2016: RMB23.52 million) as a result of the change in cooperation mode between the Group and a third party supplier. Please refer to the analysis of hospital management and consulting services segment on page 39 for details. Excluding the effect of fee income from suppliers, the Group's other income for the first half of 2017 increased by approximately 20.2% from the same period in 2016.

Other Gains and Losses

As the Group no longer holds any directorship in UMP Healthcare Holdings (stock code: 722) from June 15, 2017 and taking into account other factors, the Group has lost its significant influence over UMP Healthcare Holdings. Accordingly, under the requirements of IAS 28 Investments in Associates and Joint Ventures, all of the approximately 109 million shares held by the Group in UMP Healthcare Holdings were reclassified from investment in an associate to available-for-sale financial assets and a gain of approximately RMB115 million was recognized from such reclassification as at the date on which its significant influence over UMP Healthcare Holdings lost (i.e. June 15, 2017). Please refer to note 8 to the interim condensed financial report for details.

Selling and Administrative Expenses

The selling and administrative expenses incurred by the Group amounted to RMB87.46 million, representing an increase of 36.76% from the same period in 2016, primarily due to the significant increase in labour costs and travelling expenses as a result of the Group's expansion of business scope and actively exploration of investment projects.

Gains/(Losses) on Investment in Associates and Joint Ventures

The increase in gains on investment in associates and joint ventures was mainly attributable to UMP Beijing's investment gains on the disposal of 3 clinics in the first half of 2017. According to the announcements and circular of UMP Healthcare Holdings dated December 15, 2016, February 8, 2017 and August 10, 2017, UMP Beijing completed the disposal of 3 clinics to Health Assets Management Limited on February 23, 2017 and recognized gains of HK$46.20 million (equivalent to approximately RMB40.10 million) from the transfer. Accordingly, the net profit of UMP Healthcare Holdings and UMP Beijing for the corresponding period increased significantly and the Group recognized the corresponding investment gains under the equity method according to the shareholding during the corresponding period. Please refer to note 9 to the interim condensed financial report for details.

Income Tax Expense

In the first half of 2017, the Group's profit before tax amounted to RMB398 million. Excluding the tax exemption of RMB138 million related to equity investments, the profit before tax amounted to RMB260 million and a provision of RMB66.55 million was made for income tax expense during the period. For the first half of 2017, the effective income tax rate for the Group's ordinary business was approximately 25.6%.

Net Profit

In the first half of 2017, the net profit amounted to RMB330 million. Excluding major non-recurring profit or loss items (i.e. the gains on reclassification of investment in UMP Healthcare Holdings of RMB115 million, the gains on investment in UMP Beijing of RMB15.77 million and the gains on investment in UMP Healthcare Holdings of RMB5.99 million, the gains on partial disposal of equity interests in UMP Healthcare Holdings of RMB1 million and the loss on deemed disposal of a joint venture of RMB0.31 million), the Group achieved a net profit of RMB190 million during the period, representing an increase of 43.2% as compared to the net profit for the same period in 2016, which was mainly attributable to the significant increase in revenue from hospital management services following the merger and acquisition of Ample Mighty.

Liquidity and Capital Resources

As at June 30, 2017, the Group's cash and cash equivalents, term deposits and short-term investments totaled approximately RMB1.33 billion (December 31, 2016: RMB1.19 billion). At the end of the Reporting Period and as at December 31, 2016, all of the short-term investments of the Group were short-term financial products operated by banks.

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

Termination of Acquisition of Huizhou Hospital and Hangzhou Hospitals

On May 3, 2016, the Group and CITIC Medical entered into a binding term sheet, and entered into an official sales and purchase agreement on October 28, 2016, pursuant to which the Group proposed to issue 130,571,837 consideration shares to CITIC Medical 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 Medical) and 70% equity interest of Hangzhou Hospitals (a wholly-owned subsidiary of CITIC Medical), 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. Please refer to the announcements of the Company dated May 3, 2016 and October 28, 2016 for details.

Due to changes in the circumstances relating to the Acquisitions, the Company and the Seller have agreed to terminate the Acquisition Documents and entered into a termination agreement on May 4, 2017. Please refer to the announcement of the Company dated May 5, 2017 for details.

Investment in UMP Beijing

On July 13, 2015, True Point, UMP Healthcare Holdings, UMP China, the Company, Pinyu and UMP Beijing 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 Beijing as of December 31, 2016. 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. UMP Beijing was held as to 50% by Pinyu and 50% by UMP China.

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 Beijing, at a consideration of RMB32.33 million. UMP Beijing shall be renamed as UMP Healthcare (Beijing) Group Limited. Immediately after the completion of the subscription, UMP Beijing will be owned as to 70% by UMP China and 30% by the Group and will become a non-wholly-owned subsidiary of UMP Healthcare Holdings. On February 27, 2017, the transaction had been approved by the extraordinary general meeting of UMP Healthcare Holdings. On March 23, 2017, UMP Healthcare Holdings announced that all the conditions relating to the transaction were satisfied and the transaction was completed.

As the Group's shareholding in UMP Beijing decreased to 30% and lost the joint control over it, the Group accounted for UMP Beijing as an associate of the Group for the purpose of management. For the six months ended June 30, 2017, the Group's investment in UMP Beijing was measured under the equity method and the book balance as at the end of the period amounted to approximately RMB24.00 million.

Investment in UMP Healthcare Holdings

On July 13, 2015, Pinyu entered into an agreement with True Point Holdings Limited ("True Point") to acquire shares representing 20% of the then total issued shares of UMP Healthcare Holdings for a total consideration of HK$180,000,000. The consideration for the share acquisition was determined based on arm's length negotiations with regard to the UMP Healthcare Holdings's financial conditions and results of operations.

On 27 November 2015, UMP Healthcare Holdings (stock code: 722) completed its global offering. Immediately after the completion of the global offering, the equity interest in UMP Healthcare Holdings of Pinyu decreased to 15%. On May 8, 2017, the directors and employees of UMP Healthcare Holdings exercised a total of 1,492,000 share options under the Pre-IPO Share Option Scheme. Accordingly, the Group's shareholding in UMP Healthcare Holdings was diluted to 14.97%.

The Directors of the Group consider the Group has been able to participate in the financial and operational policy decisions of UMP Healthcare Holdings through the Group's voting power and a board representative nominated by the Group from July 13, 2015 to June 15, 2017. Accordingly, the Group accounted for the investment as an associate and measured under the equity method. As of June 15, 2017, the book value of the Group's investment in UMP Healthcare Holdings amounted to approximately RMB160 million.

As the Group no longer holds any directorship in UMP Healthcare Holdings from June 15, 2017 and taking into account other factors, the Group has lost its significant influence over UMP Healthcare Holdings. Accordingly, under the requirements of IAS 28 Investments in Associates and Joint Ventures, all of the approximately 109 million shares held by the Group in UMP Healthcare Holdings were reclassified from investment in an associate to available-for-sale financial assets and a gain of approximately RMB115 million was recognized from such reclassification under the accounting treatment.

As of June 30, 2017, the available-for-sale financial assets are remeasured at fair value under the requirements of IFRS 9 Financial Instruments. The book value of equity interests held in UMP Healthcare Holdings as at the end of the current interim period amounted to approximately RMB278 million, and the gains and losses from such change in fair value of RMB15.28 million was included in other comprehensive income.

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 was approximately RMB12.90 million during the first half of 2017, primarily due to the acquisition of fixed assets.

Indebtedness

Borrowings

On March 27, 2017, the Group obtained banking facilities (revolving term loans) with a credit line of HK$800 million (or its U.S. dollar or RMB equivalents) (December 31, 2016: nil) from a bank in Hong Kong. As at June 30, 2017, the Group had interest-bearing bank liabilities of HK$150 million (equivalent to approximately RMB130 million) (December 31, 2016: nil), and unutilised bank facilities with a credit line of HK$650 million (equivalent to approximately RMB564 million). As at June 30, 2017, the Group's amount of payables to the Sponsored Hospitals of the Group amounted to RMB316 million (December 31, 2016: RMB369 million).

Contingent Liabilities

As at June 30, 2017, 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 (December 31, 2016: nil).

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 arises.

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 swap to hedge the exposure, but will closely monitor the interest rate risk in the future.

Pledge of Assets

As at June 30, 2017, the Group did not have any significant pledge of assets (December 31, 2016: nil).

Contractual Obligations

As at June 30, 2017, 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, receivables from IOT Hospitals, loan to a sponsored hospital, other receivables, financial assets available for sale, short-term investments, certificate of deposit, cash and cash equivalents, 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 June 30, 2017, 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 1.9% (December 31, 2016: nil).

Employees and Remuneration Policy

As of June 30, 2017, the Group had a total of 1,003 full-time employees (December 31, 2016: 1,010 employees). For the first half FY2017, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB126 million (first half of 2016: RMB95.95 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 subject to review of the Remuneration Committee and approval by the Board, such remuneration is determined by taking into account of the relevant Director's experience, responsibilities, workload and time commitment to the Group and the operating results of the Company and comparable market statistics.

Share Option Scheme

The Group has also adopted the Share Option Scheme so as to provide incentives or rewards to eligible participants for their contribution or potential contribution to the Company and/or any of its subsidiaries. For the first half of 2017, no share option was granted, exercised, expired or lapsed and there was no outstanding share option under the Share Option Scheme.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance and transparency. The Company confirms that it has complied with all material code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code") during the period under review.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors. Having made specific enquiry with all Directors, the Company confirmed that all Directors complied with the Model Code throughout the period under review. Senior management, executives and staff who, because of their offices in the Company, are likely to possess inside information of the Company have also been requested to comply with the provisions of the Model Code and the Company confirmed that there was no incident of non-compliance of the Model Code by such employees throughout the period under review.

REVIEW OF INTERIM RESULTS

The Audit Committee, comprising three independent non-executive Directors and one non-executive Directors, namely Kwong Kwok Kong (chairman of the Audit Committee), Cheng Hong, Sun Jianhua and Wang Yan has reviewed the unaudited consolidated interim results of the Group for the period under review and considered that they were prepared in compliance with the relevant accounting standards, the Listing Rules and the applicable legal requirements, and that the Company has made appropriate disclosure thereof.

The unaudited consolidated interim results of the Group for the period under review have not been reviewed by the external auditors of the Company.

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

For the six months ended June 30, 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities other than the purchase of the shares by the trustee under the Share Award Scheme. Pursuant to the Share Award Scheme, the Company purchased, through the trustee of the Share Award Scheme, a total of 11,000,000 shares of the Company at a cash consideration of approximately HK$115 million from the Stock Exchange during the six months ended June 30, 2017.

EVENTS SUBSEQUENT TO JUNE 30, 2017

As at the date of this announcement, except as disclosed in Note 26 to the interim condensed financial report, the Group did not have other significant subsequent events.

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited ("HKEx") at www.hkexnews.hk and of the Company at www.crphoenix.hk respectively. The interim report of the Company for the six months ended June 30, 2017 will be despatched to each of the Shareholders of the Company and published on HKEx's and the Company's websites in due course.

DEFINITIONS

"Ample Mighty"	Ample Mighty Limited, a company incorporated under the laws of BVI and a wholly-owned subsidiary of CR Healthcare Group
"Articles of Association" or "Articles"	the articles of association of our Company adopted on September 30, 2013 and as amended from time to time
"Audit Committee"	the audit committee of the Board
"Award Shares"	such Shares awarded pursuant to the Share Award Scheme, the maximum number of which shall not exceed 5% of the total issued capital of the Company as at July 7, 2014 and 1% of the total number of issued Shares to each of the Selected Participant as at July 7, 2014
"Board" or "Board of Directors"	the board of Directors of our Company
"BVI"	the British Virgin Islands
"CAGR"	Compound Annual Growth Rate
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"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 Medical"	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", "our Company" or "CR Phoenix"	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
"CR Healthcare Group"	China Resources Healthcare Group Limited (華潤醫療集團有限公司), a company incorporated under the laws of Hong Kong
"Director(s)"	the directors of our Company or any one of them
"Eligible Persons"	any of the (i) key management personnel including the Directors and senior management of the Group; (ii) employed experts as nominated by the Board; and (iii) core employees of the Group

"FY2016"	the financial year ended December 31, 2016
"GDP"	Gross Domestic Product
"Group"	our Company and its subsidiaries
"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 Medical 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 Kong"	the Hong Kong Special Administrative Region of the PRC
"Huaikuang Hospital"	Huaibei Miner General Hospital (淮北礦工總醫院)
"Huaikuang Hospital Group"	Huaibei Miner General Hospital Group (淮北礦工總醫院集團)
"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 Medical 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 Grade I hospitals and community clinics affiliated with Jing Mei Hospital
"JV Company"	UMP Phoenix Healthcare Limited, a limited liability company incorporated in the BVI, which is held as to 50% by Pinyu and 50% by UMP China

"Listing Date"	the date on which dealings in the Shares first commence on the Stock Exchange, i.e. November 29, 2013
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mentougou Hospital"	Beijing Mentougou Hospital (北京市門頭溝區醫院), a not-for-profit hospital established under the laws of the PRC in 1951 and wholly owned by the Mentougou District government, which we began managing in June 2010 pursuant to the Mentougou IOT Agreement
"Mentougou Hospital for Women and Children"	Mentougou Hospital for Women and Children (門頭溝區婦幼保健院) incorporated under the laws of the PRC in 1983 and wholly owned by the Mentougou District government, which we began managing in September 2014 pursuant to the Mentougou Hospital for Women and Children IOT Agreement
"Mentougou Hospital for Women and Children IOT Agreement"	the IOT agreement we entered into with the Mentougou District government on September 23, 2014
"Mentougou IOT Agreement"	collectively, the IOT agreement we entered into with the Mentougou District government on July 30, 2010, as amended
"Mentougou TCM Hospital IOT Agreement"	the IOT agreement we entered into with the Mentougou District government on June 6, 2012
"Mentougou Traditional Chinese Medicine Hospital"	Mentougou Traditional Chinese Medicine Hospital (北京市門頭溝區中醫院), a not-for-profit hospital established under the laws of the PRC in 1956 and wholly owned by the Mentougou District government, which we began managing in June 2012 pursuant to the Mentougou TCM Hospital IOT Agreement
"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
"Reporting Period"	the period from January 1, 2017 to June 30, 2017
"RMB"	Renminbi, the lawful currency of the PRC
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council

"Selected Participant(s)"	Eligible Persons selected by the Board in accordance with the terms of the Share Award Scheme
"Share(s)"	share(s) with par value of HK$0.00025 each in the capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Award Scheme"	the share award scheme of the Company adopted by the Board pursuant to a resolution passed by the Board on July 7, 2014, as amended by the Board on May 25, 2015
"Share Option Scheme"	the share option scheme conditionally adopted by the Company pursuant to a resolution passed by our Shareholders on September 30, 2013
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"True Point"	True Point Holdings Limited, a limited liability company incorporated in the BVI
"UMP Beijing"	UMP Beijing Healthcare (Beijing) Group limited (聯合醫務（北京）集團有限公司), a company incorporated in BVI
"UMP China"	UMP Healthcare China Limited, a limited liability company incorporated in the Cayman Islands, and a direct wholly-owned subsidiary of UMP Healthcare Holdings
"UMP Healthcare Holdings"	UMP Healthcare Holdings Limited (聯合醫務集團有限公司), a limited liability company incorporated in the Cayman Islands, whose shares are listed on the Stock Exchange (Stock Code: 722)
"U.S. dollar" or "US$"	United States dollar, the lawful currency of the United States
"Wugang General Hospital"	China Resources Wugang General Hospital (華潤武鋼總醫院)
"Wugang Hospital Group"	the hospital group comprising Wugang General Hospital, Wugang No. 2 Hospital and their subsidiary institutions
"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 managing and operating in February 2008 pursuant to the Yan Hua IOT Agreement and a connected person of our Company
"Yan Hua Hospital Group"	collectively, Yan Hua Hospital and 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 of 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, August 25, 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