华润凤凰
CR Phoenix

China Resources Phoenix Healthcare Holdings Company Limited
華潤鳳凰醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1515)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2017

FINANCIAL HIGHLIGHTS

	Year ended December 31,	
	2017	2016
	(RMB'000)	*(RMB'000)*
Revenue	**1,877,724**	1,532,831
Profit (loss) for the year attributable to:		
Equity holders of the Company	**421,034**	(1,506,964)
Equity holders of the Company, net of non-recurring profit or loss and special expenditure	**379,062**	250,598
Earnings (Loss) per share		
– basic *(RMB per share)*	**0.33**	(1.67)
– diluted *(RMB per share)*	**0.33**	(1.67)
Earnings per share net of non-recurring profit or loss and special expenditure		
– basic *(RMB per share)*	**0.30**	0.28
– diluted *(RMB per share)*	**0.30**	0.28
Proposed final dividend per share *(HK$ per share)*	**11 cents**	6.3 cents

Note: Non-recurring profit or loss for 2017 refers to relevant UMP Healthcare (including UMP Healthcare Holdings Limited and UMP Healthcare (Beijing) Group Limited ("UMP Healthcare")) net gain of RMB41,972,000. While for 2016 it includes the one-off goodwill impairment loss of RMB1,727,499,000 resulted from the acquisition of Ample Mighty Limited and the restructuring cost of RMB30,063,000.

The board of directors (the "**Board**") of China Resources Phoenix Healthcare Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended December 31, 2017 (the "**Reporting Period**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**For the year ended 31 December** **2017** ***RMB'000***	2016 *RMB'000*
Revenue	*4*	**1,877,724**	1,532,831
Cost of sales and services		**(1,209,487)**	(1,126,198)
Gross profit		**668,237**	406,633
Other income	*6*	**59,632**	93,184
Other gains and losses	*7*	**24,775**	(1,728,693)
Selling and distribution expenses		**(25,112)**	(24,128)
Administrative expenses		**(186,551)**	(147,934)
Finance costs		**(2,482)**	(342)
Other expenses		**(786)**	(35,625)
Share of profit (loss) of associates		**5,259**	(241)
Share of profit (loss) of joint ventures		**16,535**	(15,335)
Profit (loss) before tax		**559,507**	(1,452,481)
Income tax expense	*8*	**(129,812)**	(47,331)
Profit (loss) for the year	*9*	**429,695**	(1,499,812)
Other comprehensive income (expense)			
Items that may not be reclassified to profit or loss:			
Remeasurement of defined benefit pension plans		**–**	(20,332)
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on available-for-sale investments		**–**	–
Share of other comprehensive (expense) income of an associate and a joint venture		**(17,520)**	10,220
Other comprehensive expense for the year		**(17,520)**	(10,112)
Total comprehensive income (expense) for the year		**412,175**	(1,509,924)

	Notes	For the year ended 31 December **2017** *RMB'000*	2016 *RMB'000*
Profit (loss) for the year attributable to:			
Equity holders of the Company		**421,034**	(1,506,964)
Non-controlling interests		**8,661**	7,152
		429,695	(1,499,812)
Total comprehensive income (expense) attributable to:			
Equity holders of the Company		**403,514**	(1,513,010)
Non-controlling interests		**8,661**	3,086
		412,175	(1,509,924)
Earnings (loss) per share			
– basic (RMB yuan per share)	*10*	**0.33**	(1.67)
– diluted (RMB yuan per share)	*10*	**0.33**	(1.67)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**256,602**	264,292
Intangible assets		**2,112,479**	2,132,362
Receivables from invest-operate-transfer ("IOT") hospitals		**110,566**	113,004
Lease prepayments for land use right		**140,345**	143,720
Goodwill		**1,463,611**	1,463,611
Interest in an associate		**22,575**	163,338
Interests in joint ventures		**506,433**	513,648
Loan to a sponsored hospital		**50,312**	–
Available-for-sale investments		**137,406**	–
		4,800,329	4,793,975
Current assets			
Inventories		**38,597**	50,241
Loan to a sponsored hospital		**–**	47,761
Trade receivables	*12*	**351,720**	255,924
Prepayments and other receivables	*13*	**42,295**	43,533
Amounts due from related parties		**88,928**	68,228
Short-term investments		**659,852**	66,400
Certificate of deposit		**55,426**	52,806
Cash and cash equivalents		**877,054**	1,069,468
		2,113,872	1,654,361
Current liabilities			
Trade payables	*14*	**256,994**	242,757
Other payables	*15*	**189,641**	120,655
Amounts due to related parties		**7,260**	6,914
Payables to hospitals sponsored by the Group (the "**Sponsored Hospitals**")		**267,834**	369,344
Tax payables		**83,521**	12,678
Borrowings		**171,362**	–
		976,612	752,348
Net current assets		**1,137,260**	902,013
Total assets less current liabilities		**5,937,589**	5,695,988

	2017	2016
	RMB'000	*RMB'000*
Non-current liabilities		
Retirement benefit obligations	**18,394**	19,578
Deferred tax liabilities	**317,627**	318,880
	336,021	338,458
Net assets	**5,601,568**	5,357,530
Capital and reserves		
Capital	**267**	267
Share premium	**6,296,012**	6,365,946
Reserves	**(814,548)**	(1,127,834)
Equity attributable to equity holders of the Company	**5,481,731**	5,238,379
Non-controlling interests	**119,837**	119,151
Total equity	**5,601,568**	5,357,530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. GENERAL INFORMATION

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

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

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

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

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRS standards 2014-2016 Cycle

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendements[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

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

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

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

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

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

4. REVENUE

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

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

	For the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
General healthcare services	**664,282**	600,892
Hospital management and consulting services		
From IOT and Sponsored Hospitals	**199,133**	116,386
From third party suppliers *(note)*	**126,798**	–
GPO business	**857,720**	810,510
Other hospital-derived services	**29,791**	5,043
	1,877,724	1,532,831

Note:

The Group entered into an agreement with third party suppliers 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 Beijing Jian Gong Hospital Co., Ltd. ("**Jian Gong Hospital**"), two IOT hospitals and one sponsored hospital as the main service targets, the Group provides hospital supply chain management services with these suppliers and charges them hospital supply chain management services fees mainly based on a percentage of relevant pharmaceutical purchases made by the aforementioned hospitals. These agreements will expire on 31 December 2018 and 31 December 2019, respectively.

5. SEGMENT INFORMATION

The Board is identified as the chief operating decision maker (the "**CODM**") of the Group for the purposes of resources allocation and performance assessment. The CODM reviews operating results and financial information for each operating company separately. Accordingly, each operating company is identified as an operating segment. Certain operating companies are aggregated for segment reporting purpose after taking into account that those operating companies are operating in similar business model with similar target group of customers, similar methods used to distribute their products and under the same regulatory environment.

(i) General healthcare services

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

(ii) Hospital management and consulting services

The Group provides comprehensive management and consulting services to IOT Hospitals and Sponsored Hospitals and receives from each IOT Hospital and each Sponsored Hospital an annual fee. The Group also receives hospital supply chain management services fees through setting up supply chain management system from third party suppliers.

(iii) GPO business

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

(iv) Other hospital-derived services

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

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

Segment revenue, results, assets and liabilities

	General healthcare services *RMB'000*	**Hospital management and consulting services** *RMB'000*	**GPO business** *RMB'000*	**Other hospital-derived services** *RMB'000*	**Total** *RMB'000*
For year ended 31 December 2017					
External revenues	**664,282**	**325,931**	**857,720**	**29,791**	**1,877,724**
Inter-segment revenue	**–**	**–**	**196,191**	**1,302**	**197,493**
Segment revenue	**664,282**	**325,931**	**1,053,911**	**31,093**	**2,075,217**
Elimination					**(197,493)**
Consolidated revenue					**1,877,724**
Segment results	**47,308**	**214,070**	**205,182**	**20,678**	**487,238**
Share of profit of associates *(Note)*					**5,259**
Unallocated share of profit of a joint venture *(Note)*					**16,263**
Loss on deemed disposal of UMP Healthcare (Beijing) Group Limited ("UMP Beijing") *(Note)*					**(307)**
Loss on partial disposal of UMP Healthcare Holdings Limited ("**UMP Healthcare Holdings**") *(Note)*					**(3,114)**
Gain on reclassification of interest in UMP Healthcare Holdings from associate to available-for-sale investments *(Note)*					**115,358**
Dividend received from available-for-sale investments *(Note)*					**1,768**
Impairment loss on available-for-sale investments *(Note)*					**(93,255)**
Unallocated interest and investment income					**36,752**
Share-based payment expense					**(5,151)**
Finance cost					**(2,482)**
Foreign exchange gain					**6,042**
Other unallocated expense					**(4,864)**
Profit before tax					**559,507**

Note: In respect of the unallocated revenue and expense for 2017, the relevant UMP Healthcare revenue amounted to RMB41,972,000 in total.

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

6. OTHER INCOME

	For the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Interest and investment income on:		
financial products	**32,675**	21,951
receivables from IOT Hospitals	**14,017**	13,163
bank deposits	**4,077**	3,053
loan to a sponsored hospital	**2,743**	468
Dividend income from available-for-sale investments	**1,768**	–
Government grant	**40**	40
Fee income from suppliers *(Note)*	**–**	50,399
Others	**4,312**	4,110
	59,632	93,184

Note:

On 10 January 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 and Jing Mei Hospital. The agreement was renewed annually from then on. Under the supply agreement, this supplier arranged itself or other suppliers to supply pharmaceuticals to Jian Gong Hospital, Yan Hua Hospital and Jing Mei Hospital through the subsidiaries of the Group or directly to these three hospitals. In consideration of granting to this supplier the priority to supply pharmaceuticals to these three hospitals, this supplier agreed to pay the Group an amount calculated based on a percentage of the total pharmaceutical purchases made by Jian Gong Hospital, Yan Hua Hospital and Jing Mei Hospital (the "**Minimum Economic Benefit**"). The fee income represents the difference between the amount of the Minimum Economic Benefit and the gross profit generated by the Group from the sale of pharmaceuticals to the three hospitals. The fee income was received/receivable from this supplier or from other suppliers as arranged by it. This agreement already expired on 31 December 2016 and the Group has entered into the Supply Chain Joint Development Agreement with this supplier. For details, please refer to Note 4.

7 OTHER GAINS AND LOSSES

	For the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Gain on reclassification of interest in UMP Healthcare Holdings from associate to available-for-sale investments	**115,358**	–
Foreign exchange gain, net	**6,042**	2,016
Gain (loss) on disposal of property, plant and equipment	**51**	(565)
Impairment loss of available-for-sale investments	**(93,255)**	–
Loss on partial disposal of UMP Healthcare Holdings	**(3,114)**	–
Loss on deemed disposal of UMP Beijing	**(307)**	–
Impairment losses on goodwill	**–**	(1,727,499)
Fair value changes of mutual funds	**–**	(2,645)
	24,775	(1,728,693)

8 INCOME TAX EXPENSE

Income tax expense recognised in profit or loss:

	For the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current tax:		
PRC enterprise income tax ("**EIT**")	**131,065**	47,240
Deferred tax	**(1,253)**	91
Total income tax recognised in profit or loss	**129,812**	47,331

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

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

9 PROFIT (LOSS) FOR THE YEAR

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

	For the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**43,464**	28,495
Amortisation of lease prepayments for land use right	**3,375**	3,375
Amortisation of intangible assets (Included in cost of sales and services)	**19,883**	19,146
Total depreciation and amortisation	**66,722**	51,016

10 EARNINGS (LOSS) PER SHARE

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

	For the year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit (loss) for the purpose of basic and diluted earnings (loss) per share for the year attributable to equity holders of the Company	**421,034**	(1,506,964)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share (in thousands)	**1,277,695**	901,557
Effect of dilutive potential ordinary shares:		
Non-vested shares under the share award scheme (in thousands)	**2,738**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share (in thousands)	**1,280,433**	901,557

The weighted average number of shares used for the purpose of calculating the basic earnings (loss) per share for the years ended 31 December 2017 and 2016 has been arrived at after adjusting the effect of shares repurchased and held by the Share Award Scheme.

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

11 DIVIDENDS

On 16 June 2017, a resolution was passed at the annual general meeting that the Company declared the final dividend of HK$6.3 cents per share in respect of the year ended 31 December 2016 with total dividends of approximately HK$81,691,000 (equivalent to approximately RMB70,899,000) to shareholders whose names appear on the register of members of the Company on 27 June 2017. The dividends were paid on 28 July 2017.

The trustee holds the dividends of treasury share of approximately RMB965,000.

Subsequent to the end of the Reporting Period, a final dividend of HK$11 cents per share in respect of the year ended 31 December 2017 was proposed by the Board and was subjected to approval by the shareholders in the forthcoming general meeting.

12 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 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 invoice date:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
0 to 60 days	**192,462**	202,467
61 to 180 days	**138,010**	15,461
>180 days	**21,248**	37,996
	351,720	255,924

Trade receivables disclosed above include amounts (see below for aged analysis) 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.

Ageing of trade receivables that are past due but not impaired

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Overdue by:		
91 to 180 days	**21,248**	37,996
Total	**21,248**	37,996

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

13 PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current portion of receivables from IOT Hospitals	**14,838**	14,838
Prepaid value-added tax	**12,315**	13,171
Prepayment to suppliers	**7,543**	1,519
Current portion of lease prepayment for land use right	**3,375**	3,375
Public housing maintenance fund	**1,461**	1,110
Prepayment of share-based payment	**261**	1,279
Prepaid maintenance expense	**19**	1,847
Fee income receivables	**–**	3,459
Others	**2,483**	2,935
	42,295	43,533

14 TRADE PAYABLES

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 60 days	**179,880**	201,380
61-180 days	**62,572**	39,447
>180 days	**14,542**	1,930
	256,994	242,757

15 OTHER PAYABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Staff cost payables	**71,978**	43,607
Deposits from patients	**30,937**	5,093
Deposits from suppliers	**25,027**	13,112
Other PRC tax payable	**20,194**	15,576
Unpaid travel expense and administrative expense	**10,559**	2,890
Unpaid expense in relation to professional services	**8,349**	6,416
Payable for purchase of property, plant and equipment	**3,049**	953
Retirement benefit obligations	**1,903**	2,446
Unpaid expense in relation to major transactions	**423**	17,635
Others	**17,222**	12,927
	189,641	120,655

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Benefiting from the enhancement of integrated supply chain management business and the increase in hospital management/service fees arising from the Acquisition at the end of October 2016, the consolidated revenue of the Group for the year ended December 31, 2017 amounted to RMB1.88 billion, representing a year-on-year increase of 22.5%; after deducting related net gain from UMP Healthcare, core attributable profit increased by 51.3% against last year to RMB379 million. Earnings per share of the Group amounted to RMB0.33, of which core profit per share attributable to Shareholders was RMB0.30, a 7.1% increase compared to 2016.

During the reporting period, the PRC economy sustained steady growth. Driven by the increasing aging population, growing resident disposable income, medical technology advancement and enhanced social security level, demand for medical services in China continued to maintain rapid growth. From January to October 2017, the total number of visits to medical institutions nationwide and the number of discharged patients increased 3.0% and 7.3% respectively to 6.61 billion times and 190 million times. Meanwhile, new medical reform policies such as "zero mark-up" policy on drugs, multi-tiered diagnosis and treatment system, and two-invoice policy have been rolled out in 2017. With the continuing vertical development of national medical reform policies, the medical system in China was experiencing tremendous changes ever, which will affect profoundly on the structure and development direction of medical service market.

At the end of 2017, the Group totally managed and operated 106 medical institutions in six provinces and cities in the PRC. Despite the impacts of medical reform policies, the number of outpatient and inpatient visits of our in-network hospitals still increased by 3.2% to 7,784,570 times and 4.1% to 243,285 times, respectively. Under the combined effect of increase in average spending, the total revenue from medical business of our in-network hospitals grew by 7.1% to RMB6.26 billion.

List of Medical Institutions under the Group's management and operation

Province	Grade III Hospital	Grade II Hospital	Grade I Hospital	Community and Medical	Total
Beijing	2	5	12	37	56
Hebei	0	1	0	0	1
Jiangsu	0	1	0	0	1
Anhui	1	6	13	5	25
Hubei	2	0	4	15	21
Guangdong	1	0	0	1	2
Total	6	13	29	58	106

Operating data for 2017

Type	Number of beds in operation	Number of patients: Number of outpatients	Number of patients: Number of inpatients	Revenue from medical business (RMB'000): Revenue from outpatient visits	Revenue from inpatient visits	Revenue from physical examination	Total
For-profit hospitals	**393**	**880,485**	**12,248**	**408,040**	**227,630**	**15,064**	**650,735**
Sponsored hospitals	**6,280**	**2,615,002**	**162,192**	**744,496**	**1,838,648**	**37,626**	**2,620,770**
IOT hospitals	**3,718**	**4,289,083**	**68,845**	**1,753,641**	**1,177,947**	**52,586**	**2,984,173**
Subtotal	**10,391**	**7,784,570**	**243,285**	**2,906,177**	**3,244,225**	**105,276**	**6,255,678**

Operating data for 2016

Type	Number of beds in operation	Number of patients: Number of outpatients	Number of patients: Number of inpatients	Revenue from medical business (RMB'000): Revenue from outpatient visits	Revenue from inpatient visits	Revenue from physical examination	Total
For-profit hospitals	396	846,161	11,943	379,131	214,599	12,655	606,385
Sponsored hospitals	5,891	2,399,970	157,329	687,884	1,732,281	40,104	2,460,269
IOT hospitals	3,597	4,294,198	64,372	1,669,884	1,058,323	46,187	2,774,394
Subtotal	9,884	7,540,329	233,644	2,736,899	3,005,203	98,946	5,841,048

Notes:

1) For-profit hospitals include: Jian Gong Hospital and 999 Clinic;

2) Sponsored hospitals include: 999 Brain Hospital, Huaikuang Hospital Group, Xukuang Hospital and Wugang Hospital Group;

3) IOT hospitals 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.

The Group's profit contribution was mainly derived from hospital operating profit, hospital management fees from in-network hospitals, third-party supply chain management fees from the provision of supply chain management for hospitals and Group Purchasing Organization ("**GPO**") gross profit from the procurement of pharmaceutical consumables. During the Reporting Period, the Group continued to optimize its core operation capabilities as well as push forward the integrated supply chain management and integration, thereby increasing the profit contribution from in-network hospitals. In 2017, third-party supply chain service fees and GPO gross profit in aggregate increased by RMB94.45 million from 2016, driving the profit contribution of hospital to grow to approximately RMB609 million and the consolidated profit contribution rate to rise by 1.3 percentage points to 9.7%. Among this, for-profit hospitals, sponsored hospitals and IOT hospitals accounted for 18.3%, 23.4% and 58.3% of the profit contribution respectively. Profit contribution rate of these three types of hospitals was 17.1%, 5.4% and 11.9%, respectively. The relatively low profit contribution rate of sponsored hospitals was due to the fact that Wugang Hospital only contributed a small amount of profit to the Group in 2017.

Financial data for 2017

		Profit contribution of hospitals					
			Hospital management and consulting services				
2017 RMB'000	Revenue from medical business	General healthcare services segment results	Hospital management services fees	Third-party supply chain services fees	GPO gross profit	Total	Profit contribution rate
For-profit hospitals	650,735	47,308	–	18,397	45,407	111,112	17.1%
Sponsored hospitals	2,620,770	–	104,118	36,445	1,935	142,498	5.4%
IOT hospitals	2,984,173	–	95,015	71,956	187,955	354,926	11.9%
Total	6,255,678	47,308	199,133	126,798	235,297	608,536	9.7%

Financial data for 2016

2016 RMB'000	Revenue from medical business	Profit contribution of hospitals General healthcare services segment results	Hospital management and consulting services Hospital management services fees	Third-party supply chain services fees	GPO gross profit	Total	Profit contribution rate
For-profit hospitals	606,385	39,241	–	7,271	46,698	93,210	15.4%
Sponsored hospitals	2,460,269	–	88,948	–	–	88,948	3.6%
IOT hospitals	2,774,394	–	94,817	43,128	170,548	308,493	11.1%
Total	5,841,048	39,241	183,765	50,399	217,246	490,651	8.4%

Note: In the above tables, figures of Ample Mighty hospitals in 2016 are for the full year (including all sponsored hospitals and 999 Clinic included in for-profit hospitals). The total profit contribution of Ample Mighty hospitals for November to December 2016 included in the Group's consolidated statements of year 2016 was RMB20.57 million.

Future Outlook

Looking forward, we will proactively respond to the "Healthy China" strategy by fully integrating with the top-notch internal resources of CR Holdings in a bid to actively practice the three core strategies of the Group. Firstly, the "scale-orientation strategy": the Group will capture the reform opportunities and expedite external expansion to scale up our operations, while actively investing in for-profit medical institutions. Secondly, the "core competence strategy": the Group will continue to enhance medical technology level and the efficiency of hospital operation and management, and focus on developing our flagship hospitals and disciplines. Thirdly, the "industry innovation strategy": we will actively expand the derived businesses such as physician company, Urgent Care Clinic, healthcare-nursing and management solution services to develop a great healthcare industry with concerted efforts, thereby providing the public with high-quality, safe and accessible medical services at reasonable prices.

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 contract 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). By the acquisition, the Group acquired the main assets, equity and operation rights of Huizhou Hospital and Hangzhou Hospitals at a consideration of HK$1,240,432,453. Please refer to the announcements of the Company dated May 3, 2016 and October 28, 2016 for details.

Due to objective condition changes in relation 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 Holdings Limited ("**True Point**"), UMP Healthcare Holdings (stock code: 722), UMP Healthcare China Limited ("**UMP China**"), Pinyu, UMP Beijing and the Company entered into a shareholders' agreement, pursuant to which each of the Group and UMP Healthcare Holdings paid in advance 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 subscribe for 6,668 shares in UMP Beijing, at a consideration of RMB32.33 million, through UMP China. UMP Beijing shall be renamed as UMP Healthcare (Beijing) Group Limited. Immediately after the completion of the subscription, UMP Beijing will be owned 70% by UMP China and 30% by the Group and will become a partially 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 managed UMP Beijing as an associate. As of December 31, 2017, the Group's investment in UMP Beijing was measured in equity method and the book balance as at the end of the period amounted to approximately RMB22.58 million.

Investment in UMP Healthcare Holdings

On July 13, 2015, Pinyu entered into an agreement with True Point to acquire 20% shares of the then total issued shares of UMP Healthcare Holdings with 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 operating performance.

On November 27, 2015, UMP Healthcare Holdings completed its global offering. After then 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 of UMP Healthcare Holdings. 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 policies decisions making of UMP Healthcare Holdings by exercising the Group's voting right and a board representative nominated by the Group, during 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 held any directorship in UMP Healthcare Holdings from June 15, 2017, 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 of December 31, 2017, the available-for-sale financial assets were evaluated 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 Reporting Period amounted to approximately RMB137 million, and the impairment losses from such change in fair value of RMB93.25 million was included in other gains and losses.

FINANCIAL REVIEW

Liquidity and Financing

As at December 31, 2017, the Group's consolidated cash and bank balance, certificate of deposit and short-term investments (bank wealth management product) amounted to approximately RMB1.6 billion totally.

On January 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 December 31, 2017, the Group had interest-bearing bank liabilities of HK$205 million (equivalent to approximately RMB171 million) (December 31, 2016: nil), and unutilised bank facilities with a credit line of HK$595 million (equivalent to approximately RMB500 million). As at December 31, 2017, the Group's amount of payables to the sponsored hospitals of the Group amounted to RMB268 million (December 31, 2016: RMB369 million).

Contingent Liabilities

As at December 31, 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.

Pledge of Assets

As of December 31, 2017, the Group did not have any material pledge of assets.

Subsequent Event

On January 25, 2018, Yan Hua Hospital managed by the Group has convened a council meeting and changed its council members. As of the date of announcement March 22, 2018, the Group has no representative holding the position of council member in Yan Hua Hospital. The Group was notified by Yan Hua Hospital on February 26, 2018 that Yan Hua Hospital has decided to terminate the Supply Chain Agreement and proceed a bidding process for the procurement of pharmaceutical, medical device and medical consumables from March 1, 2018. As of the date of announcement March 22, 2018, the Group has not received any tender notice from Yan Hua Hospital, whereas the Company's supply chain subsidiaries keep providing pharmaceutical and medical consumables to Yan Hua Hospital as usual. Since there has been no material progress on the above matter as of date of announcement March 22, 2018, the Company is temporarily unable to estimate the potential effects of the above matter on the Company's business results for 2018.

In 2017, the third party supply chain service fee earned from the above Supply Chain Agreement was RMB32,065,000; the sales revenue of pharmaceutical, medical device and medical consumables from Yan Hua Hospital was RMB256,063,000 whereas the related cost of sales and gross profit was RMB195,840,000 and RMB60,223,000, respectively; the management fee from Yan Hua Hospital was RMB36,324,000.

EMPLOYEES AND REMUNERATION POLICY

As of December 31, 2017, the Group had a total of 1,036 full-time employees (December 31, 2016: 1,010 employees). For FY2017, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB282 million (FY2016: RMB240 million).

The Group ensured that the remuneration packages of employees remain competitive and the remuneration level of its employees was determined on the basis of performance with reference to the profitability of the Group, industry remuneration standards and market conditions within the general framework of the Group's remuneration system.

The Group has also adopted a share option scheme (pursuant to a resolution passed by the Shareholders on September 30, 2013) and the Share Award 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.

FINAL DIVIDEND

The Board proposes to pay a final dividend of HK$11 cents (equivalent to RMB8.9 cents) per Share for FY2017 (FY2016: final dividend: HK$6.3 cents (equivalent to RMB5.6 cents) per Share). The proposed final dividend will be paid to Shareholders whose names appear on the register of members of the Company on Tuesday, June 19, 2018. Based on the number of issued shares of the Company as of December 31, 2017, the total amount of dividends is approximately HK$143 million. Subject to the approval by Shareholders at the annual general meeting to be held on Thursday, May 31, 2018, it is expected that the final dividend will be distributed on or before July 20, 2018.

OTHER INFORMATION

Annual General Meeting

The 2017 annual general meeting (the "**AGM**") of the Company will be held on Thursday, May 31, 2018. A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

Closure of Register of Members

For determining the entitlement to attend and vote at the AGM to be held on Thursday, May 31, 2018, the register of members of the Company will be closed from Monday, May 28, 2018 to Thursday, May 31, 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify as members entitled to attend and vote at the AGM, investors should lodge all transfers of shares accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Friday, May 25, 2018.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, June 14, 2018 to Tuesday, June 19, 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. (Hong Kong time) on Wednesday, June 13, 2018.

CORPORATE GOVERNANCE PRACTICES

The Board is dedicated to establishing a sound corporate governance system for ensuring the formality and transparency of the procedures while safeguarding the interests of the Shareholders. The Company has applied the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own code of corporate governance and confirms that it has complied with all material code provisions, save for certain deviations as described below and most of the recommended best practices under the CG Code during the year ended December 31, 2017.

According to code provision A.1.1 of the CG Code, regular Board meetings should be held at least four times a year at approximately quarterly intervals. During the year ended December 31, 2017, there were only two regular Board meetings held to review and consider the interim results and the annual results, respectively as the Company is not required to announce its quarterly results under the Listing Rules.

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

Further information of the corporate governance practices of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended December 31, 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors on terms no less exacting than the required standard set out in the Model Code.

Having made specific enquiry, the Company confirmed that all members of the Board complied with the Model Code during the year ended December 31, 2017. As senior management, executives and officers may possess inside information of the Company due to their positions, they shall comply with the provision of the Model Code. To the best knowledge of the Company, no incident of non-compliance with the Model Code has been committed by such employees during the year ended December 31, 2017.

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

During the year ended December 31, 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 year ended December 31, 2017.

AUDIT COMMITTEE

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

The Audit Committee currently comprises 1 non-executive Director, namely Mr. Wang Yan and 3 independent non-executive Directors, namely Mr. Kwong Kwok Kong (committee chairman), Ms. Cheng Hong and Mr. Sun Jianhua. The Audit Committee, together with the management of the Company, has reviewed the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning risk management and internal control, auditing and financial reporting matters and reviewed the annual results and the consolidated financial statements of the Group for the year ended December 31, 2017.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.crphoenix.hk), and the 2017 annual report of the Company containing all the information required by the Listing Rules will be dispatched to the Shareholders and made available on the above websites in due course.

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
HAN Yuewei
Executive Director & Chief Executive Officer

Beijing, March 22, 2018

As at the date of this announcement, the Board comprises Mr. WANG Yin and Mr. WANG Yan as non-executive Directors; Mr. CHENG Libing, Mr. HAN Yuewei, Ms. REN Yuan and Ms. FU Yanjun as executive Directors; Mr. KWONG Kwok Kong, Ms. CHENG Hong, Mr. SUN Jianhua and Mr. LEE Kar Chung Felix as independent non-executive Directors.