PHOENIX
HEALTHCARE
GROUP
凤凰医疗集团

Phoenix Healthcare Group Co. Ltd

鳳凰醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1515)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2014

FINANCIAL HIGHLIGHTS

	Year ended December 31,	
	2014	2013
	(RMB'000)	*(RMB'000)*
Revenue	**1,206,265**	887,354
Profit and total comprehensive income for the year attributable to:		
Equity holders of the Company	**230,051**	89,992
Earnings per share		
— basic (RMB yuan per share)	**0.28**	0.16
— diluted (RMB yuan per share)	**N/A**	0.16
Proposed final dividend per share (HK$ per share)	**17.0 cents**	6.7 cents

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

China Healthcare Service Industry

China has the largest population and is one of the largest and most fast-growing healthcare service markets in the world, creating a favorable environment for the long-term development for the healthcare service industry. Given that the PRC government intensifies the public hospital reform and implements universal medical insurance coverage in recent years, the healthcare expenditure grows rapidly in China. Yet it only accounted for 5.6% of the China's GDP in 2013, which was still significantly lower than the average of developed countries, implying a huge market potential.

To further improve the service quality and operation efficiency of the China's healthcare system, the State Council of the PRC issued a Notice on the Arrangement of Key Work for Deepening the Reform of Medical and Healthcare System in 2014 (《深化醫藥衛生體制改革2014年重點工作任務》) on May 13, 2014, stating the reform requirements which included maintaining basic coverage of medical insurance and healthcare services, enhancing primary healthcare services etc. with the emphasis on reforming public hospitals; establishing a linkage between healthcare, medical insurance and medicine and intensifying the reform on key areas and segments in the overall healthcare system and solving difficulties in the reform by optimizing the system. Two of the key tasks mentioned are accelerating the reform of public hospitals and encouraging the development and involvement of private capital in national healthcare system. It also encouraged regional governments to proactively and flexibly introduce private capital into the reform of public hospitals. In response, regional governments implemented a series of policies to promote the reform of public hospitals, to establish a favourable environment for intensifying the reform of healthcare system and lay a solid foundation for private capital to invest in the reform of public hospitals promptly.

In addition, in the Summary of Plans on the National Healthcare Service System (2015-2020) (《全國醫療衛生服務體系規劃綱要(2015–2020年)》) issued on October 28, 2014, the National Health and Family Planning Commission of the PRC further stated that the number of beds in healthcare institutions should be maintained at six units per thousand permanent residents by 2020, of which the number contributed by privately-invested hospital should be no less than 1.5 units per thousand permanent residents, providing ample room for private capital to invest in the development of healthcare institutions.

To fully encourage and attract private capital to invest in public infrastructure projects and improve the supply and quality of public services, authorities in different levels, such as the State Council of the PRC, the National Development and Reform Commission and the Ministry of Finance of the PRC, issued a number of documents related to the reform, including the Guidance on Encouraging Private Capital by Financial System Innovation in Key Areas (《關於創新重點領域投融資機制鼓勵社會投資的指導意見》), the Guidance on Cooperation between Government and Private Capital (《關於開展政府和社會資本合作的指導意見》), the Notice on Issues Related to the Implementation of Pilot Projects of Government and Private Capital Cooperation (《關於政府和社會資本合作示範項目實施有關問題的通知》) and the Operation Guidance on Cooperation between Government and Private Capital (《政府和社會資本合作模式操作指南》). They widely promoted the public-private partnership mode of cooperation between government and private sector in key areas so as to facilitate the system reform. As an innovation of the public-private partnership mode in public hospital reform, the restructure-operate-transfer mode represents a joint development mode between the government and private capital and is believed to receive even wider and more frequent promotion under the support of the PRC's new policies.

Business Overview for 2014

During 2014, the Group further upgraded the management and operation of our in-network hospitals and clinics. Through standardization of management and operation of our in-network hospitals and clinics, the Group improved their operation efficiency as well as facilitated resources sharing. Meanwhile, being a listed company with a network of public hospitals and clinics, we were able to recruit and retain first-class talents and doctors to build our teams, further develop our medical technologies and provide higher quality healthcare services to our patients. By doing so, we expect to generate long-term and steady return for our Shareholders.

In 2014, we started to manage the Mentougou Hospital for Women and Children which is a Grade IIA hospital with 30 beds. Meanwhile, we actively improved our operation efficiency and clinical services on the basis of synergy and economies of scale generated by our hospital network. By the end of 2014, the total patients treated by us have risen to approximately 3.8 million, excluding those patients received by Mentougou Hospital for Women and Children, from approximately 3.4 million in 2013. We will continue to improve the quality of clinical services for our patients and steadily expand the scale of operation of our hospital network.

In 2014, the China healthcare system reform was deepened and upgraded. As a leading company in the public hospital reform, we played an active role in the reform in 2014. We relentlessly explored innovative modes for reform and made contributions by making full use of our expertise in hospital operation and management, which was highly acknowledged by government authorities and general public. During the year, we made great preparation for and entered into negotiation on a number of significant projects related to the public hospital reform, and entered into framework agreements for three projects. These projects would further enhance our development in Beijing healthcare market and provide solid foundation for exploring healthcare markets out of Beijing.

Industry Outlook

Since the State Council of the PRC placed a great emphasis on the furtherance of healthcare system reform, it is expected that regional governments and state-owned enterprises across China will accelerate the reform of public hospitals (including the state-owned hospitals) and proactively attract private capital to make investments in the joint development of public hospitals. They are expected to work closely with private sector not only to achieve the overall reform of public hospitals, but also to optimize the establishment of primary healthcare network and the management system of healthcare institutions as well as to form a system combining elderly care and rehabilitation by means of various innovative cooperation modes, such as government purchase of healthcare services, public-private partnership and restructure-operate-transfer, which will create a favourable business environment for professional hospital management enterprises with seasoned expertise in healthcare reform to grow and expand.

China is experiencing aging population, slower growth in labour force, prevalence in chronic disease, growing popularity of healthcare service and adjustments in medical insurance and healthcare expenditure. In view of the above, it is expected that with the abundant resources in major hospitals, the intensification of healthcare reform in China will facilitate the formation of a new healthcare system that integrates healthcare, medical insurance and elderly care in multi-levels comprehensively, which will provide a steady and growing momentum for innovation of the China's healthcare service industry.

Development Strategies

Business innovation and clinical technology are impetuses to our Group's development. In the next few years, we intend to develop from a hospital group into a healthcare industrial group and transit from hospital operation mode to healthcare system operation mode, and to invest in the key resources of the industry. Details of our strategic plans are as follows:

— ***Actively participating in public hospital reform and investing in key resources***

Leveraging on the key competitive advantages of our operation and management and seizing opportunities arising from the healthcare reform policies, we will actively participate in the reform of public hospitals and increase investment and enhance management in key resources in the industry, so that we can lay a solid foundation for our development into a large scale healthcare industrial group and gain core competitiveness ahead of the industry.

— ***Establishing a cooperative healthcare system and combining healthcare and insurance***

Grasping the opportunities of public hospital reform, we will not only allocate resources in healthcare and rehabilitation nursing, but also establish a system of integrated operation and cooperative healthcare service. In addition, we will upgrade the capacity and quality of clinical services in our in-network hospitals and clinics in order to improve the patient satisfaction and serve as many people as we can. Based on the cooperative healthcare system, we will explore a creative mode to facilitate the cooperation between healthcare institutions and insurance companies, and develop business modes such as high-end healthcare services and health management organisations.

— ***Expanding elderly care industry and exploring a combination of healthcare and elderly care***

We will make good use of our growing healthcare resources and seize the investment opportunities at competitive cost to expand into elderly care services so that we can provide comprehensive services combining healthcare and nursing for the elderly, which is urgently needed in our society. Meanwhile, we will explore innovative financial products for the elderly care industry so as to expand our value chain.

Operating Strategies

— Further consolidate key functionalities of our in-network hospitals and clinics, such as operation, management, finance, procurement and planning so as to improve efficiency in management decision making as well as reduce operating cost and achieve synergy.

— Attract and retain talents with share-based incentive scheme and other means; enhance our clinical skills and clinical research capabilities; and facilitate the communication and sharing of medical knowledge and expertise among our in-network hospitals and clinics.

— Reinforce project management of our in-network hospitals and clinics to better use hospital facilities improve their operation efficiency and service quality.

— Further enhance the JCI healthcare quality control standards and develop a patient-oriented hospital operation and management system in order to enhance brand recognition and increase popularity.

— Expand our high-end healthcare service business based on our competitive advantages to provide safe and advanced one-stop healthcare services.

FINANCIAL REVIEW

Segment Revenue

We derive revenue from our in-network hospitals and clinics through three sources: (i) general hospital services provided at Jian Gong Hospital and Beijing Easylife, (ii) hospital management services where we manage and collect management fees from our IOT hospitals and clinics, and (iii) supply chain business where we primarily supply pharmaceuticals, medical devices and medical consumables, and ancillary services mainly to our in-network hospitals and clinics.

General hospital services

Revenue from our general hospital services segment is derived from Jian Gong Hospital and from premium healthcare services offered under Phoenix VIP services at Beijing Easylife. General hospital services revenue consists of primarily fees generated from the provision of outpatient and inpatient services, including fees for healthcare services, pharmaceuticals and medical devices and medical consumables. The following table sets out the revenue, cost of sales and services and gross profit contributed by our general hospital services segment during the periods indicated:

	Year ended December 31,	
	2014	2013
	(RMB'000)	*(RMB'000)*
Revenue	**540,192**	470,435
Cost of sales and services	**(453,712)**	(384,898)
Gross profit	**86,480**	85,537

Revenue from our general hospital services segment reached RMB540.2 million, representing a year-on-year increase of 14.8% and accounted for 44.8% of our total revenue for FY2014, as a result of growth in total patient visits and average spending per patient visit. The number of total patient visits at Jian Gong Hospital achieved a record high of approximately 758,700 (FY2013: approximately 695,700), comprising of approximately 747,100 outpatient visits (FY2013: approximately 684,900) and 11,600 inpatient visits (FY2013: approximately 10,800). The average spending per outpatient visit increased to approximately RMB449 (FY2013: approximately RMB439), while there was a stronger growth in average spending per inpatient visit to approximately RMB17,667 (FY2013: approximately RMB15,558) partly attributable to the introduction of several new and advanced surgical wards which were able to offer more complex surgery procedures associated with higher patient spending.

The cost of sales and services of our general hospital services represents primarily costs of provision of healthcare services at Jian Gong Hospital, including costs of pharmaceuticals, medical devices and medical consumables, staff costs, and depreciation and amortization expenses.

Jian Gong Hospital's cost of sales and services grew to RMB453.7 million, representing a year-on-year increase of 17.9% which surpassed the growth rate of revenue. This was mainly attributable to the higher costs of pharmaceuticals, medical devices and medical consumables and increase of staff bonus. As a result, the gross profit margin declined to 16.0% (FY2013: 18.2%).

Hospital management services

We managed and operated a total of 11 general hospitals, one traditional Chinese medicine hospital, one hospital for women and children and 28 community clinics under the IOT model in FY2014. In return, we were entitled to receive from each hospital or the hospital owners management fee, primarily calculated with reference to percentage of revenue and/or net income before tax (收支結餘) generated by our IOT hospitals and clinics. Accordingly, the management fees we receive depend on the performance of such hospitals and clinics. For certain hospitals, our management fees are dependent on profitability and performance reviews.

Revenue from our hospital management services segment surged to RMB60.1 million, representing a year-on-year increase of 47.5% and accounted for 5.0% of our total revenue for FY2014. The following table sets out the revenue, cost of sales and services and gross profit contributed by our hospital management services segment during the periods indicated:

	Year ended December 31,	
	2014	2013
	(RMB'000)	*(RMB'000)*
Revenue	**60,138**	40,765
Cost of sales and services	**(14,632)**	(14,074)
Gross profit	**45,506**	26,691

	Year ended December 31,	
	2014	2013
	(RMB'000)	*(RMB'000)*
Yan Hua Hospital Group	**30,067**	21,248
Mentougou Hospital	**3,723**	3,445
Jing Mei Hospital Group	**20,880**	12,305
Mentougou Traditional Chinese Medicine Hospital	**5,468**	3,767
Mentougou Hospital for Women and Children	**—**	N/A
Total	**60,138**	40,765

The management fee from Yan Hua Hospital Group was RMB30.1 million, representing an increase of 41.5% from FY2013. Yan Hua Hospital Group witnessed an increase in patient visits and average spending per inpatient visit, albeit a slight decrease in average spending per outpatient visit, resulting in higher revenue and a stable gross profit margin as compared to FY2013. In addition, Yan Hua Hospital Group also managed to control effectively on its operating expenses and other costs, thereby leading to an increase in its net income before tax and higher management fee for our Group.

The management fee from Mentougou Hospital was RMB3.7 million, representing an increase of 8.1% from FY2013. There were an increase in patient visits received by Mentougou Hospital and higher average spending per patient visit in spite of higher cost of services mainly due to increased staff costs and medical devices and medical consumables. As a result, the Group's management fee from Mentougou Hospital increased mildly as compared to FY2013.

The management fee from Jing Mei Hospital Group was RMB20.9 million, representing an increase of 69.7% from FY2013. Both patient visits and average spending per patient visit of Jing Mei Hospital Group increased, resulting in higher revenue and gross profit as compared to the FY2013. In addition, Jing Mei Hospital Group managed to control effectively on its operating expenses and other costs, thereby leading to an increase in its net income before tax and higher management fee for our Group.

The management fee from Mentougou Traditional Chinese Medicine Hospital was RMB5.5 million, representing an increase of 45.2% from FY2013. Both the total number of patient visits and average spending per patient visit increased at Mentougou Traditional Chinese Medicine Hospital, leading to an increase in revenue and improvement in gross profit margin. Furthermore, Mentougou Traditional Chinese Medicine Hospital managed to control effectively on its operating expenses and other costs, thereby leading to an increase in its net income before tax and higher management fee for our Group.

The Group entered into a new IOT agreement with the Mentougou District government of Beijing on September 23, 2014, pursuant to which the Group has made an one-off investment of RMB15.0 million to the Mentougou Hospital for Women and Children, which is a Grade IIA not-for-profit hospital providing comprehensive healthcare services mainly to woman and children, in return for the right to manage and receive performance based annual management fees from the hospital until December 31, 2030. As agreed with the Mentougou District government, the Group is not entitled to any management fee for its management service rendered in FY2014. Mentougou Hospital for Women and Children witnessed more patient visits as well as higher average spending per patient visit in FY2014.

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

Our hospital management services incurred cost of sales and services of RMB14.6 million, representing a year-on-year increase of 4.0% due to (i) the first full year amortization of investments of an additional RMB10.0 million made in Yan Hua Hospital Group in July 2013, (ii) the new investment of RMB15.0 million in Mentougou Hospital for Women and Children in September 2014, and (iii) the new investment of RMB63.0 million in Yan Hua Hospital Group throughout 2014. Since the growth in revenue outpaced the increase in cost of sales and services, the gross profit margin of our hospital management services segment improved to 75.7% (FY2013: 65.5%).

Supply chain business

Our supply chain business segment revenue is primarily derived from sales of pharmaceuticals, medical devices and medical consumables, and ancillary services mainly to the IOT hospitals and clinics. The following table sets out the revenue, cost of sales and services and gross profit contributed by our supply chain business segment during the periods indicated:

	Year ended December 31,	
	2014	2013
	(RMB'000)	*(RMB'000)*
Revenue	**781,809**	479,682
Cost of sales and services	**(616,092)**	(379,217)
Gross profit	**165,717**	100,465

Our supply chain business segment revenue surged to RMB781.8 million, representing an increase of 63.0% from FY2013, as a result of increased patient visits and our effort to further consolidate the procurement need of our in-network hospitals and clinics. Segment revenue from sales to Jian Gong Hospital amounted to RMB175.9 million was recorded as inter-segment revenue and eliminated from the total revenue. After such inter-segment elimination, our supply chain business segment accounted for 50.2% of our total revenue for FY2014. The total number of patient visits at our in-network hospitals and clinics, excluding those patients received by Mentougou Hospital for Women and Children which has only become one of our IOT hospitals in September 2014, continuously increased to approximately 3.8 million in FY2014 (FY2013: approximately 3.4 million).

The cost of sales and services of our supply chain business segment represents the procurement costs of pharmaceuticals, medical devices and medical consumables for resale mainly to the our in-network hospitals and clinics. Our supply chain business segment incurred cost of sales and services of RMB616.1 million, represented a year-on-year increase of 62.5% from FY2013. The gross profit margin of our supply chain business segment improved to 21.2% (FY2013: 20.9%), primarily due to (i) greater volume discounts we were able to secure from our suppliers as a result of further consolidation of procurement needs of our in-network hospitals and clinics, and (ii) the implementation of supply agreement with Hong Hui since 2012, which was remained in force in FY2014. Pursuant to this agreement, we provide Hong Hui with the consolidated pharmaceutical orders of Jian Gong Hospital, Yan Hua Hospital Group and Jing Mei Hospital Group, except for certain Excluded Pharmaceuticals. In consideration of granting Hong Hui the priority to supply pharmaceuticals to these three hospitals, Hong Hui agrees to provide us with a minimum economic benefit ("MEB") and pay us the difference if the gross profit we generate from resale of pharmaceuticals is less than the MEB.

In FY2014, Jian Gong Hospital, Yan Hua Hospital Group and Jing Mei Hospital Group purchased a total of RMB917.6 million of pharmaceuticals, excluding the purchases of Excluded Pharmaceuticals. We were entitled to RMB128.5 million MEB pursuant to our supply agreement with Hong Hui, of which RMB42.1 million was recorded as fee income. Our gross profit margin of our supply chain business segment would have been 15.7% (FY2013: 15.3%) had we (a) reflected in the revenue of our supply chain business the purchases of pharmaceuticals by such three hospitals from Hong Hui and other suppliers arranged by Hong Hui; and (b) recorded in the gross profit of supply chain business the total fee income payment pursuant to the supply agreement with Hong Hui.

Gross Profit

Our overall gross profit reached RMB297.7 million, representing a year-on-year increase of 40.0%. Overall gross profit margin rose to 24.7% (FY2013: 24.0%), reflecting higher revenue contribution from our hospital management services segment and supply chain business segment and improvement of gross profit margins of these two business segments despite that the revenue contribution and gross profit margin of our general hospital services segment declined.

Other Income

Other income surged to RMB94.3 million, representing a year-on-year increase of 32.5%, mainly due to an increase in interest and investment income on bank deposits and short-term investments in spite of a decrease in fee income from Hong Hui and suppliers arranged by Hong Hui.

Other Gains and Losses

There was a gain of RMB15.7 million arising from compensation from district government for the leasehold land adjacent to Jian Gong Hospital, partially offset by a foreign exchange loss of RMB3.6 million as a result of weakening of Hong Kong dollar against RMB.

Selling and Distribution Expenses

We endeavoured to control our selling and distribution expenses while developing our supply chain business segment. As a result, our selling and distribution expenses were RMB8.2 million, slightly declined by 1.6% on a year-on-year basis.

Administrative Expenses

We incurred administrative expenses of RMB77.4 million, representing a year-on-year increase of 17.6%, primarily attributable to an increase in staff costs, professional service fees and rental fees as a result of the first full year operation of our office in Hong Kong.

Finance Costs

We managed to reduce our finance costs to RMB0.9 million, representing a year-on-year decrease of 97.3%, as a result of (i) repayment of RMB250.0 million shareholders' loan to Speed Key Limited immediately after IPO; (ii) repayment of RMB200.0 million loan borrowed from CITIC Trust Co., Ltd. in January 2014 and (iii) termination of finance lease by Jian Gong Hospital in August 2013.

Other Expenses

Other expenses, which were mainly medical disputes expenditure, declined significantly to RMB0.7 million, representing a decrease of 97.1% from FY2013. There were one-time expenses of RMB22.1 million incurred in relation to IPO in FY2013.

Income Tax Expense

The income tax charge increased to RMB77.2 million, representing a year-on-year increase of 64.8%, primarily due to an increase in profit before tax to RMB316.8 million (FY2013: RMB143.0 million).

Net Profit

Profit attributable to shareholders amounted to RMB230.1 million, representing a year-on-year increase of 155.6% from FY2013.

FINANCIAL POSITION

Inventories

As at December 31, 2014, the balance of inventories increased to RMB33.8 million (December 31, 2013: RMB31.1 million), primarily due to an increase in the inventories of pharmaceuticals.

Trade Receivables

As at December 31, 2014, the balance of trade receivables increased to RMB93.7 million (December 31, 2013: RMB83.8 million), of which approximately 91.4% was either unbilled or recorded within 60 days.

Trade and Other Payables

As at December 31, 2014, the balance of trade payables was RMB171.9 million (December 31, 2013: RMB123.9 million), arising from the purchase of pharmaceuticals, medical devices and medical consumables from our suppliers.

The Group's balance of other payables increased to RMB58.6 million as at December 31, 2014 (December 31, 2013: RMB54.1 million), which included mainly staff costs payables, PRC tax payables and deposits from suppliers.

Net Current Assets Position

As at December 31, 2014, the Group's net current assets was RMB1,019.4 million (December 31, 2013: RMB1,070.5 million).

LIQUIDITY AND CAPITAL RESOURCES

The following sets forth the information in relation to our Group's consolidated statement of cash flows during the periods indicated:

	Year ended December 31,	
	2014	2013
	(RMB'000)	*(RMB'000)*
Net cash generated from operating activities	**274,213**	169,676
Net cash generated from (used in) investing activities	**360,894**	(841,754)
Net cash (used in) generated from financing activities	**(421,694)**	971,280
Net increase in cash and cash equivalents	**213,413**	299,202

Net Cash Generated from Operating Activities

During FY2014, the net cash generated from operating activities was RMB274.2 million, which was primarily attributable to the profit before tax of RMB316.8 million, adjusted for net movement in working capital of RMB24.5 million, non-cash expenses including depreciation of property, plant and equipment of RMB21.2 million, amortization of intangible assets of RMB14.6 million in relation to our investments for management rights of IOT hospitals and clinics, foreign exchange loss of RMB3.6 million, partially offset by income tax paid of RMB59.4 million, interest and investment income of RMB35.7 million and gain on disposal of lease prepayments for land use right of RMB15.7 million.

Net Cash Generated from Investing Activities

During FY2014, the net cash generated from investing activities was RMB360.9 million, which was primarily attributable to the proceeds from disposal of short-term investments of RMB3,639.2 million, proceeds from certificate of deposit of RMB1,289.7 million, investment income received from short-term investments of RMB28.9 million, proceeds from disposal of lease prepayments for land use right of RMB19.8 million, repayment of investments of RMB7.3 million from IOT hospitals and clinics pursuant to our IOT agreements, partially offset by purchase of short-term investments of RMB3,540.5 million, purchase of certificate of deposit of RMB969.3 million, investments of RMB63.0 million and RMB15.0 million in Yan Hua Hospital Group and Mentougou Hospital for Women and Children, respectively, and purchase of property, plant and equipment of RMB36.3 million.

Net Cash Used in Financing Activities

During FY2014, the net cash used in financing activities was RMB421.7 million, which was primarily attributable to repayment of a borrowing of RMB200.0 million to CITIC Trust Co., Ltd, payment for purchase of the Company's existing shares of RMB175.7 million pursuant to the Share Award Scheme, and dividends payment of RMB44.5 million.

Significant Investments, Acquisitions and Disposals

As at December 31, 2014, the balance of short-term investments was RMB77.3 million, representing a decrease of 56.1% as compared to the balance at the end of FY2013, as a result of reduction of investments in short-term financial products operated by banks.

On March 10, 2014, Jian Gong Hospital entered into a compensation agreement with the district government, pursuant to which Jian Gong Hospital received approximately RMB19.8 million from district government as compensation for the leasehold land adjacent to the hospital. The disposal has resulted in the recognition of a gain of approximately RMB15.7 million by the Group.

On September 23, 2014, the Group entered into a new IOT agreement with Mentougou District government of Beijing, pursuant to which the Group has made an one-off investment of RMB15.0 million to the Mentougou Hospital for Women and Children, which is a Grade IIA not-for-profit hospital providing comprehensive healthcare services mainly to women and children, in return for the right to manage and receive performance based annual management fees from the hospital until December 31, 2030.

On December 30, 2014, the Group entered into a non-binding cooperation framework agreement with Beijing Jing Mei Group Co. Ltd ("Beijing Jing Mei"), pursuant to which the parties agreed to establish a joint venture company for the overall restructuring of Jing Mei Hospital Group. Upon its establishment, the joint venture company will be owned as to 70.0% by the Group and 30.0% by Beijing Jing Mei. The Group and Beijing Jing Mei intended to enter into definitive agreements as soon as specific details, including the capital contribution from respective parties, on the arrangement of the aforesaid proposed restructuring are agreed upon.

Subsequent to December 31, 2014, the Group entered into a non-binding framework agreement with the People's Government of Baoding, Hebei Province, the PRC ("Baoding Government") on January 5, 2015, pursuant to which the Group agreed to establish a project company to work with the public medical institutions and medical education institutions in Baoding and partake in the future healthcare development projects organized by the Baoding Government through various cooperation modes for the purpose of establishing a comprehensive healthcare services system in Baoding. It is intended that the project company will be a wholly-owned foreign enterprise with an initial registered capital of US$100.0 million. The Group and the Baoding Government intended to enter into definitive agreements as soon as specific details on the arrangement of the aforesaid proposed transaction are agreed upon.

On January 6, 2015, the Group entered into a non-binding framework agreement with the State Administration of Work Safety of the PRC ("Work Safety Authority") and CITIC Trust Co., Ltd., pursuant to which the parties agreed to establish a joint venture company to provide general healthcare, nursing and ambulance services to the employees of the Work Safety Authority and citizens in Beijing and other cities in the PRC. At the initial stage, the joint venture company will work with the China Meitan General Hospital and the Occupational Medical Research Centre Shilong Hospital, both are located in Beijing and under the Work Safety Authority, under a restructure-operate-transfer model. Thereafter, the joint venture company will further explore business opportunities with other medical institutions and nursing facilities under the Work Safety Authority. It is intended that the joint venture company will have an initial registered capital of RMB1,000.0 million. Upon its establishment, the joint venture company will be owned 35.0% by the Group, 40.0% by the Work Safety Authority and 25.0% by CITIC Trust Co., Ltd. The parties intended to enter into definitive agreements as soon as specific details on the arrangement of the aforesaid proposed transaction are agreed upon.

On March 18, 2015, the Group entered into a non-binding framework agreement with UMP Healthcare Holdings Limited ("UMP"), pursuant to which the parties will form a joint venture company for the establishment of a network of clinics of comprehensive family medicine and integrated specialist healthcare services in Beijing to provide preventive and health management schemes to both corporates and individuals. The joint venture company will be owned by the Group and UMP on a 50:50 apportionment basis. It is expected that each of the Group and UMP will contribute no less than HK$100.0 million into the joint venture company for its business development. In addition, the Group will invest HK$162.0 million and the Group's certain management team members will invest HK$18.0 million to purchase 18.0% and 2.0% equity interest, respectively, in UMP from the existing shareholders of UMP. The Group and UMP intended to enter into definitive agreements as soon as specific details on the arrangement of the aforesaid proposed transactions are agreed upon.

Capital Expenditures

Our capital expenditures principally consist of expenditures in respect of acquisition of property, plant and equipment and investment amount to our IOT hospitals and clinics. The amount of capital expenditures of the Group were approximately RMB114.3 million during FY2014, representing an increase of 265.1% from FY2013, primarily due to an aggregate additional investment of RMB78.0 million in Yan Hua Hospital Group and Mentougou Hospital for Women and Children.

Use of Proceeds from IPO

With reference to the use of proceeds disclosed in the Prospectus, the Board is closely monitoring the use of proceeds from IPO and confirms no material change in the intended use as previously disclosed in the Prospectus. As of December 31, 2014, the Group applied the net proceeds in the following.

- Pursuant to an IOT agreement entered on September 23, 2014 between Beijing Phoenix and Mentougou District government, the Group committed to an one-off investment of RMB15.0 million in Mentougou Healthcare Hospital for Women and Children in return for the right to manage and receive performance based annual management fees from the latter until December 31, 2030;

- Repayment of the entire loan from our major shareholder, Speed Key Limited, with accrued interest amounted approximately HK$340.0 million on December 12, 2013;

- During the ended December 31, 2014, the Group fulfilled the capital commitment to Yan Hua Hospital Group for approximately HK$80.0 million;

- The amount of proceeds used as working capital and other general corporate purposes in the period began November 29, 2013 and ended December 31, 2014 is well within the 10% estimate disclosed in the Prospectus.

INDEBTEDNESS

Borrowings

As at December 31, 2014, the Group had no borrowing. The Group fully repaid the borrowing of RMB200.0 million due to CITIC Trust Co., Ltd on January 17, 2014.

Subsequent to December 31, 2014, the Group entered into a Syndicated Loan Agreement. The Group will utilize the Syndicated Loan for investments and capital expenditure.

Contingent Liabilities

As at December 31, 2014, the Group did not have any contingent liabilities or guarantees that would have a material impact on the financial position or operations of the Group.

Exposure to Fluctuation in Exchange Rates

The Group undertakes certain financing and operating transactions in foreign currencies, which expose the Group to foreign currency risk, mainly pertaining to the risk of fluctuations in the Hong Kong dollar and U.S. dollar against RMB.

Subsequent to December 31, 2014, the Group entered into a Syndicated Loan Agreement pursuant to which the Syndicated Loan is denominated in U.S. dollar.

The Group has not used any derivative contracts to hedge against its exposure to currency risk. The management manages the currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

Interest Rate Risk

The Group is exposed to fair value interest rate risk in relation to receivables from IOT hospitals and clinics and cash flow interest risk in relation to variable-rate bank balances, which carry prevailing market interest rates and short-term investments.

Subsequent to December 31, 2014, the Group entered into a Syndicated Loan Agreement pursuant to which the interest rate of the Syndicated Loan is determined with reference to the three-month London Interbank Offered Rate plus 3.15% per annum.

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

Pledge of Assets

As at December 31, 2014, there was no charge on the assets of the Company.

The borrowing of RMB200.0 million from CITIC Trust Co., Ltd was early terminated on January 17, 2014. The remaining balance of the borrowing was fully settled and the pledge of 53.51% equity interest in Jian Gong Hospital associated with the borrowing was released on the same date.

Subsequent to December 31, 2014, the Group entered into a Syndicated Loan Agreement pursuant to which the Syndicated Loan will be guaranteed by existing offshore subsidiaries and future offshore subsidiaries of the Company and secured by first priority perfected security interests over the following in favor of the security agent on behalf of the lenders:

i. charge over 100% of the shares of the existing offshore subsidiaries and future offshore subsidiaries of the Company;

ii. pledge over 100% of equity interests of Beijing Phoenix, and future onshore subsidiaries and onshore joint ventures of the Company;

iii. assignment of any intra-group shareholder loans from the loan proceeds under the Syndicated Loan Agreement;

iv. fixed and floating charge or mortgage over all assets of the existing offshore subsidiaries and future offshore subsidiaries of the Company; and

v. charge over the related debt service reserve account.

Contractual Obligations

As at December 31, 2014, the Group did not have any significant contractual obligations that would have a material impact on the financial position or operations of the Group.

Financial Instruments

The Group's major financial instruments include trade receivables, amounts due from a related party, other receivables, certificate of deposit, cash and cash equivalents, receivables from IOT hospitals and clinics, short-term investments, trade payables and other payables. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Gearing Ratio

As at December 31, 2014, on the basis of total interest-bearing liabilities divided by total assets, the Group's gearing ratio was nil (FY2013: 9.4%).

EMPLOYEE AND REMUNERATION POLICY

As at December 31, 2014, the Group had a total of 888 full time employees (December 31, 2013: 861 employees). For FY2014, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB136.7 million (FY2013: RMB108.5 million).

The Group ensures that the pay levels of its employees are competitive and employees are rewarded on a performance related basis, together with reference to the profitability of the Group, prevailing remuneration benchmarks in the industry, and market conditions within the general framework of the Group's remuneration system.

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

FINAL DIVIDEND

The Board proposed payment of a final dividend of HK$0.17 per share for FY2014 (FY2013: HK$6.7 cents). The proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company on Friday, June 12, 2015.

OTHER INFORMATION

Annual General Meeting

The 2015 annual general meeting of the Company will be held on Thursday, June 4, 2015 (the "AGM"). 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 qualification of members to attend and vote at the annual general meeting to be held on Thursday, June 4, 2015, the register of members of the Company will be closed from Tuesday, June 2, 2015 to Thursday, June 4, 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify as members to attend and vote at the Meeting, investors are urged to lodge all transfers of shares accompanied by the relevant share certificates and transfer forms 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. on Monday, June 1, 2015.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, June 10, 2015 to Friday, June 12, 2015, 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 and transfer forms 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. on Tuesday, June 9, 2015.

CORPORATE GOVERNANCE PRACTICE

The Board is dedicated to establishing a sound corporate governance system for ensuring the formality and transparency of the procedures while safeguarding the interests of the Shareholders. The Company has applied the principles as set out in the CG Code as its own code of corporate governance and confirms that it has complied with all material code provisions and most of the recommended best practices under the CG Code during the year ended December 31, 2014, save for the deviations as described below. The Company is committed to making necessary arrangements to comply with all the code provisions in due course.

According to code provision A.1.1 of the CG Code, board meetings should be held at least four times a year at approximately quarterly intervals. There were only two regular Board meetings held during the year ended December 31, 2014 as the Company is not required under the Listing Rules to announce its quarterly results.

According to code provision A.1.3 of the CG Code, reasonable notice should be given to all Directors for all Board meetings other than the regular Board meetings. Throughout the year ended December 31, 2014, the Board has convened and held two Board meetings other than the regular Board meetings on November 27, 2014 and December 12, 2014 where reasonable notice have not been given to all Directors due to the urgent nature and timing of the meetings.

According to code provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in an experienced and qualified person such as Mr. Liang Hongze provides the Company with strong and consistent leadership while allowing for effective and efficient planning and implementation of business decisions and strategies.

According to code provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. One non-executive Director and two independent non-executive Directors were unable to attend the annual general meeting of the Company held on June 5, 2014 due to other business commitments.

Further information of the corporate governance practice 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, 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors.

Having made specific enquiry, the Company confirmed that all members of the Board complied with the Model Code during the year ended December 31, 2014. Senior managers, executives and staff who, because of their offices in the Company, are likely to possess inside information, have also been requested to comply with the provision of the Model Code and no incident of non-compliance of the Model Code by such employees was noted by the Company.

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

During the year ended December 31, 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities other than the repurchase of the Company's shares by the trustee under the Share Award Scheme. Pursuant to the Share Award Scheme, the Company repurchased, through the trustee of the Share Award Scheme, a total of 16,044,500 shares of the Company at cash consideration of HK$221,856,000 on the Stock Exchange during the year ended December 31, 2014.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Save as i) the hospital management right and investment framework agreement on February 1, 2008, and a hospital investment management agreement on February 4, 2008, which were supplemented in April 2008, December 2010, June 2011, June 2013, July 2013, September 2013 and October 2013 respectively between Beijing Phoenix, our wholly-owned subsidiary, Yan Hua Hospital Group and Yan Hua Phoenix (collectively, the "Yan Hua IOT Agreement") and ii) the sales agreement whereby Beijing Wanrong and Beijing Jiayi, wholly-owned indirect subsidiaries, supply pharmaceuticals, medical device and medical consumables to Yan Hua Hospital Group on a recurring basis, none of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended December 31, 2014.

For the year ended December 31, 2014, the management service fee and investment repayment from Yan Hua Hospital Group amounted RMB32.1 million (of which RMB2.0 million is investment repayment), the sales of pharmaceuticals, medical device and medical consumables to Yan Hua Hospital Group amounted RMB230.2 million, both have not exceeded the relevant annual cap set pursuant to Listing Rules 14A.53 of RMB38.0 million and RMB260.0 million respectively.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Kwong Kwok Kong, Ms. Cheng Hong and Mr. Sun Jianhua. The chairman of the audit committee is Mr. Kwong Kwok Kong.

The Audit Committee is responsible for making recommendations to the Board for the appointment and removal of external auditors, reviewing financial statements and advising on the significant issues on financial reporting as well as monitoring the internal control procedures of the Company. The Audit Committee has reviewed the annual results of the Group for the year ended December 31, 2014.

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, 2014 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 HKEx (www.hkexnews.hk) and the Company (www.phg.com.cn), and the 2014 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.

The board of directors (the "Board") of Phoenix Healthcare Group Co. Ltd (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended December 31, 2014 together with the comparative figures for the year ended December 31, 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2014

		For the year ended December 31,	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
Revenue	*5*	**1,206,265**	887,354
Cost of sales and services		**(908,562)**	(674,660)
Gross profit		**297,703**	212,694
Other income	*6*	**94,255**	71,133
Other gains and losses	*7*	**12,037**	(6,990)
Selling and distribution expenses		**(8,214)**	(8,351)
Administrative expenses		**(77,371)**	(65,782)
Finance costs	*8*	**(944)**	(35,184)
Other expenses	*9*	**(707)**	(24,511)
Profit before tax		**316,759**	143,009
Income tax expense	*10*	**(77,230)**	(46,865)
Profit and total comprehensive income for the year	*11*	**239,529**	96,144
Profit and total comprehensive income for the year attributable to:			
Equity holders of the Company		**230,051**	89,992
Non-controlling interests		**9,478**	6,152
		239,529	96,144
Earnings per share			
— basic (RMB yuan per share)	*12*	**0.28**	0.16
— diluted (RMB yuan per share)	*12*	**N/A**	0.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2014

	Notes	**2014** *RMB'000*	2013 *RMB'000*
Non-current assets			
Property, plant and equipment		**138,292**	123,249
Intangible assets	*14*	**360,030**	317,249
Receivables from invest-operate-transfer ("IOT") hospitals		**68,994**	51,184
Lease prepayments for land use right		**150,448**	157,855
Deferred tax assets	*15*	**1,346**	1,080
		719,110	650,617
Current assets			
Inventories	*16*	**33,832**	31,050
Trade receivables	*17*	**93,735**	83,818
Prepayments and other receivables		**24,528**	19,462
Amounts due from a related party		**67,838**	56,871
Short-term investments	*18*	**77,300**	176,000
Certificate of deposit	*19*	**384,027**	704,450
Cash and cash equivalents	*19*	**611,536**	401,770
		1,292,796	1,473,421
Current liabilities			
Trade payables	*20*	**171,874**	123,886
Other payables		**58,606**	54,138
Tax payables		**42,955**	24,895
Borrowings		**—**	200,000
		273,435	402,919
Net current assets		**1,019,361**	1,070,502
Total assets less current liabilities		**1,738,471**	1,721,119
Non-current liabilities			
Retirement benefit obligations		**3,227**	5,265
		3,227	5,265
Net assets		**1,735,244**	1,715,854

	Notes	**2014** *RMB'000*	2013 *RMB'000*
Capital and reserves			
Capital	*21*	**166**	166
Share premium		**1,497,815**	1,542,270
Reserves		**129,131**	74,764
Equity attributable to equity holders of the Company		**1,627,112**	1,617,200
Non-controlling interests		**108,132**	98,654
Total equity		**1,735,224**	1,715,854

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on February 28, 2013. Its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 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.

The Company and its subsidiaries (the "Group") are mainly engaged in provision of general hospital services, provision of hospital management services, and supply chain business in Beijing, the PRC.

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

2. BASIS OF PREPARATION

Beijing Phoenix, formerly known as Beijing Phoenix United Hospital Management Joint Stock Co., Ltd. (北京鳳凰聯合醫院管理股份有限公司), was incorporated in the PRC as a joint-stock company by Beijing Wantong and Beijing Weike Lai'en Art Design Co., Ltd. (北京維可萊恩藝術設計有限公司) on November 6, 2007 and was then the holding company of the companies comprising the Group before the Reorganisation as detailed in the Company's prospectus dated November 22, 2013.

Pursuant to a series of capital injection and equity transfer arrangements from 2007 to 2012, prior to the Reorganisation, Beijing Phoenix was indirectly and beneficially owned by Ms Xu Xiaojie (徐小捷) and Ms Xu Jie (徐捷), who is Ms Xu Xiaojie's mother (collectively referred to as the "Xu's Family") who are acting in concert, certain institutional investors and certain individual shareholders as to 40.58%, 47.15% and 12.27%, respectively.

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Reorganisation involved the following steps:

(1) Beijing Phoenix was converted into a limited liability company from a joint-stock company on March 8, 2013.

(2) On February 28, 2013, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with authorised share capital comprised of 3,800,000 shares at par value of HK$0.10 per share. On March 19, 2013, one nil paid subscriber share of the Company were transferred to Speed Key Limited, which is owned by the Xu's Family.

(3) On January 7, 2013, Unison Champ was incorporated as a limited liability company in the BVI. On March 13, 2013, the Company acquired 100% equity interest in Unison Champ which was incorporated by a third party as a limited liability company in the BVI. On March 22, 2013, Unison Champ became the sole shareholder of Phoenix International, which was incorporated as a limited liability company in Hong Kong on August 28, 2012.

(4) On April 17, 2013, each ordinary share of the Company with nominal value HK$0.10 was sub-divide into 100 ordinary shares of nominal value of HK$0.001 each.

    In May and June 2013, the Company allotted and issued 89,739,900 shares and 46,260,000 shares to certain institutional investors and certain companies beneficially owned by individual shareholders at a consideration of RMB100 million.

(5) From April 9, 2013 to June 3, 2013, the Company, through Phoenix International and Star Target, acquired 100% equity interest in Beijing Phoenix at a total consideration of RMB499.6 million from its then shareholders.

(6) On July 2, 2013, Unison Champ acquired 100% equity interest in Pinyu, who is the sole shareholder of Star Target, from Green Talent, and in exchange, the Company allocated and issued 14,680,000 Shares to Green Talent, an institutional investor.

Upon completion of the above steps, the Company was owned by the Xu's Family, certain institutional investors and certain individual shareholders as to 46.02%, 43.63% and 10.35%, respectively, and the Company became the holding company of the companies comprising the Group. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The consolidated financial statements of the Group have been prepared as if the Company had always been the holding company of the Group. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended December 31, 2013 and the consolidated statement of financial position of the Group as at December 31, 2013 have been prepared as if the group structure after the Reorganisation had been in existence throughout the year ended December 31, 2013, or since the respective dates of incorporation/establishment of the relevant entities where this is a shorter period.

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

The Group has applied the IFRSs effective for its financial year ended December 31, 2014 in preparing the consolidated financial statements.

Amendments to IFRSs and the new Interpretation 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 and a new Interpretation.

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

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

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap. 32).

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 Leases, 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.

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

5. REVENUE

Revenue represents income from general hospital services, hospital management services, and sale of pharmaceuticals, medical devices and medical consumables under the supply chain business.

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

	For the year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
General hospital services	**540,192**	470,435
Hospital management services	**60,138**	40,765
Supply chain business	**605,935**	376,154
	1,206,265	887,354

6. OTHER INCOME

	For the year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Fee income from suppliers *(Note)*	**42,066**	58,686
Interest and investment income on:		
bank deposits	**14,366**	327
short-term investments	**28,935**	2,446
receivables from IOT Hospitals	**6,783**	7,860
Government grant	**877**	450
Others	**1,228**	1,364
	94,255	71,133

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

7. OTHER GAINS AND LOSSES

	For the year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Gain/(loss) on disposal of property, plant and equipment	**(1)**	(1)
Gain on disposal of lease prepayments for land use right	**15,683**	—
Foreign exchange loss	**(3,647)**	(6,989)
	12,037	(6,990)

8. FINANCE COSTS

	For the year ended December 31, 2014 *RMB'000*	2013 *RMB'000*
Interests on borrowings wholly repayable within five years	**944**	32,742
Interest on finance leases	**—**	2,442
	944	35,184

9. OTHER EXPENSES

	For the year ended December 31, 2014 *RMB'000*	2013 *RMB'000*
Expenses in relation to the listing	**—**	22,078
Medical disputes expenditure	**603**	2,376
Donation	**—**	23
Others	**104**	34
	707	24,511

10. INCOME TAX EXPENSE

Income tax expense recognised in profit or loss:

	For the year ended December 31, 2014 *RMB'000*	2013 *RMB'000*
Current tax:		
PRC enterprise income tax ("EIT")	**77,496**	46,787
Deferred tax *(Note 15)*	**(266)**	78
Total income tax recognised in profit or loss	**77,230**	46,865

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

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

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

	For the year ended December 31, 2014 *RMB'000*	2013 *RMB'000*
Profit before tax	**316,759**	143,009
Tax calculated at statutory tax rates of 25%	**79,190**	35,752
Tax effect of expenses not deductible for tax purposes	**320**	11,113
Tax effect of different tax rates on intra-group interest income/interest expense	**(2,280)**	—
Income tax expense	**77,230**	46,865

11. PROFIT FOR THE YEAR

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

	For the year ended December 31, 2014 *RMB'000*	2013 *RMB'000*
Depreciation of property, plant and equipment	**21,162**	18,968
Amortisation of lease prepayments for land use right	**3,397**	3,463
Amortisation of intangible assets		
(Included in cost of sales and services)	**14,633**	14,047
Total depreciation and amortization	**39,192**	36,505
Cost of inventories recognised as expense	**771,435**	557,026
Operating lease rentals in respect of rented premises	**3,440**	2,022
Directors' emoluments	**7,068**	6,625
Other staff cost		
Salaries and other allowances	**121,528**	96,144
Retirement benefit contributions	**8,074**	5,696
Total staff costs	**136,670**	108,465
Auditor's remuneration	**2,500**	2,300

12. EARNINGS PER SHARE

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

	For the year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Earnings		
Profit for the purpose of basic and diluted earnings per share for the year attributable to equity holders of the Company	**230,051**	89,992
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**830,870**	575,793
Effect of dilutive potential ordinary shares: options (in thousands)	**N/A**	43
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	**N/A**	575,836

The weighted average number of shares used for the purpose of calculating the basic earnings per share for the year ended December 31, 2013 is based on weighted average number of 575,793,000 shares of the Company after taking into account the effect of the Reorganisation and subdivision of shares, which was disclosed in the prospectus dated on November 22, 2013.

The weighted average number of shares used for the purpose of calculating the basic earnings per share for the year ended December 31, 2014 has been arrived at after adjusting the effect of shares repurchased and held by the Company's Share Award Scheme. No diluted earnings per share is presented for the year ended December 31, 2014 as the Company does not have any potential ordinary shares outstanding during the year.

13. DIVIDENDS

	For the year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Dividends recognised as distributions during the year: 2013 Final — HK$6.7 cents per share (2012: nil)	**44,455**	—

Subsequent to the end of the reporting period, final dividend in respect of the year ended December 31, 2014 of HK$0.17 (2013: final dividend in respect of the year ended December 31, 2013 of HK$6.7 cents) per share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

14. INTANGIBLE ASSETS

The intangible assets of the Group represent operating rights under IOT agreements. The intangible assets 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.

	For the year ended December 31,	
	2014	2013
	RMB'000	*RMB'000*
Cost:		
At beginning of the year	**351,288**	343,138
Additions:		
Fair value adjustments *(Note)*	**57,414**	8,150
At the end of the year	**408,702**	351,288
Accumulated amortization:		
At beginning of the year	**(34,039)**	(19,965)
Charge for the year	**(14,633)**	(14,074)
At the end of the year	**(48,672)**	(34,039)
Carrying amount at the end of the year	**360,030**	317,249

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

15. DEFERRED TAX ASSETS

The movement of the Group's deferred tax assets during the year is as follows:

	Accrued expenses	**Total**
	RMB'000	*RMB'000*
At January 1, 2013	1,158	1,158
Charge to profit or loss	(78)	(78)
At December 31, 2013	1,080	1,080
Credit to profit or loss	266	266
At December 31, 2014	1,346	1,346

Under the PRC EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profit of the PRC subsidiaries amounting to RMB481,972,000 as at December 31, 2014 (December 31, 2013: RMB276,871,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

16. INVENTORIES

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
Pharmaceuticals	**27,001**	24,713
Medical devices and medical consumables	**6,831**	6,337
	33,832	31,050

17. TRADE RECEIVABLES

The Group allows a credit period of approximately 60 days for the general hospital service to the patients which is due from medical insurance programs, 60 days to 120 days for the sales of pharmaceutical, medical devices and consumables to the IOT Hospital, and 90 days to 180 days for the hospital management services to the IOT Hospitals after issuing the invoice. The following is an aged analysis of trade receivables presented based on the invoice date.

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
Unbilled or within 60 days	**85,715**	78,579
61 to 180 days	**4,026**	5,239
181 to 365 days	**3,994**	—
	93,735	83,818

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 December 31,	
	2014	2013
	RMB'000	*RMB'000*
Overdue by:		
61 to 90 days	**3,994**	—
Total	**3,994**	—
Average age (days)	**245**	N/A

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.

18. SHORT-TERM INVESTMENTS

The Group's short-term investments mainly represent investments in financial products operated by banks, with expected annual return ranging from 2.9% to 5.35% per annum which have been designated at fair value through profit or loss. The short-term investments as at December 31, 2014 matured in February 2015 (December 31, 2013: January 2014).

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

19. CERTIFICATE OF DEPOSIT AND CASH AND CASH EQUIVALENTS

	As at December 31,	
	2014	2013
	RMB'000	*RMB'000*
Bank balance and cash (classified as cash and cash equivalents)	**611,536**	401,770
Certificate of deposits	**384,027**	704,450
	995,563	1,106,220
Cash and cash equivalents and certificate of deposit denominated in:		
— RMB	**968,445**	793,637
— USD	**962**	1,712
— HKD	**26,156**	310,871
	995,563	1,106,220

Bank balances carried interest at market rates which range from 0.001% to 4.50% per annum over both years. As at the December 31, 2014, the Group had the certificate of deposit of RMB384,027,000 (December 31, 2013: RMB704,450,000) with interest rate ranging from 1.35% to 4.5% per annum, which will mature on January 26, 2015.

20. 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 December 31,	
	2014	2013
	RMB'000	*RMB'000*
Within 60 days	**149,916**	114,726
61–180 days	**21,039**	8,556
181 days–1 year	**919**	604
	171,874	123,886

21. CAPITAL

	Number of shares	Share capital	Share capital
		HK$'000	*RMB'000*
Authorised			
On incorporation *(Note i)*	3,800,000	380	302
Increase on subdivision of shares on April 17, 2013 *(Note ii)*	376,200,000	—	—
Increase on subdivision of shares on September 30, 2013 *(Note iv)*	1,140,000,000	—	—
At December 31, 2013 and December 31, 2014	1,520,000,000	380	302
Issued and fully paid			
On incorporation *(Note i)*	1	—	—
Increase on subdivision of shares on April 17, 2013 *(Note ii)*	99	—	—
Issuance and allotment pursuant to the Reorganisation *(Note iii)*	150,679,900	151	120
Increase on subdivision of shares on September 30, 2013 *(Note iv)*	452,040,000	—	—
Issued on November 29, 2013 *(Note v)*	200,907,000	50	40
Issued on December 1, 2013 *(Note vi)*	30,136,000	8	6
At December 31, 2013 and December 31, 2014	833,763,000	209	166

The Company was incorporated on February 28, 2013 and became the ultimate holding company of Beijing Phoenix on July 2, 2013. The issued capital at December 31, 2013 represents the issued share capital of the Company.

Notes:

(i) On February 28, 2013, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with authorised share capital comprised of 3,800,000 shares at par value of HK$0.10 per share. On March 19, 2013, one nil paid subscriber share of the Company transferred to Speed Key Limited.

(ii) On April 17, 2013, each ordinary share of the Company with nominal value HK$0.10 is sub-divided into 100 ordinary shares of nominal value of HK$0.001 each.

(iii) In May and June 2013, the Company allotted and issued 89,739,900 shares and 36,480,000 shares with par value of HK$0.001 per share to certain companies beneficially owned by institutional investors and individual shareholders of Beijing Phoenix, which were credited as fully paid from share premium upon completion of issue of shares by the Company. In June 2013, the Company also allotted and issued 9,780,000 shares with par value of HK$0.001 per share to two institutional investors at a total consideration of RMB100 million. On 2 July 2013, Unison Champ acquired 100% equity of Pinyu, who is the sole shareholder of Star Target, from Green Talent and in exchange, the Company allotted and issued 14,680,000 shares with par value of HK$0.001 per share to Green Talent, an institutional investor.

(iv) On September 30, 2013, each ordinary share of the Company with nominal value HK$0.001 is sub-divided into 4 ordinary shares of nominal value of HK$0.00025 each.

(v) On November 29, 2013, the Company issued 200,907,000 Shares with par value of HK$0.00025 each under the Global Offering at HK$7.38 per share.

(vi) On December 1, 2013, the Company further issued 30,136,000 shares at HK$7.38 per share.

(vii) The new shares issued rank pari passu with the existing shares in all respects.

(viii) During the year ended December 31, 2014, the Company repurchased its own shares on the Stock Exchange as follows:

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

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

GLOSSARY

"Beijing Easylife"	Beijing Phoenix Easylife Healthcare Consulting Co., Ltd. (北京鳳凰益生醫學技術諮詢有限公司), a limited liability company incorporated under the laws of the PRC on January 18, 2008, and a wholly-owned subsidiary of our Group
"Beijing Jiayi"	Beijing Phoenix Jiayi Medical Devices Co., Ltd. (北京鳳凰佳益醫療器械有限公司), formerly known as Beijing Phoenix Luoke Medical Technology Co., Ltd. (北京鳳凰洛克醫學技術有限公司) and Phoenix Wanfeng Medical Technology (Beijing) Co., Ltd. (鳳凰萬峰醫學技術(北京)有限公司), a limited liability company incorporated under the laws of the PRC on December 9, 2004, and a wholly-owned subsidiary of our Company
"Beijing Juxin Wantong"	Beijing Juxin Wantong Investment Co., Ltd. (北京聚信萬同投資有限公司), formerly known as Phoenix United Hospital Management (Beijing) Co., Ltd. (鳳凰聯盟醫院管理(北京)有限公司) and Phoenix Healthcare Investment Management (Beijing) Co., Ltd. (鳳凰醫療投資管理(北京)有限公司), a limited liability company incorporated under the laws of the PRC on June 9, 2003, and a wholly-owned subsidiary of Beijing Wantong a connected person to our Company
"Beijing Phoenix"	Beijing Phoenix United Hospital Management Consulting Co. Ltd. (北京鳳凰聯合醫院管理諮詢有限公司), formerly known as Beijing Phoenix United Hospital Management Co., Ltd. (北京鳳凰聯合醫院管理有限公司) and Beijing Phoenix United Hospital Management Joint Stock Co., Ltd. (北京鳳凰聯合醫院管理股份有限公司), a limited liability company incorporated under the laws of the PRC on November 6, 2007, and a wholly-owned subsidiary of our Company
"Beijing Wanrong"	Beijing Wanrong Yikang Medical Pharmaceutical Co., Ltd. (北京萬榮億康醫藥有限公司), a limited liability company incorporated under the laws of the PRC on March 20, 2000, and a wholly-owned subsidiary of our Company
"Board"	the board of Directors of our Company
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the chairman of our Board
"Chief Executive Officer"	the chief executive officer of our Company
"China" or "PRC"	the People's Republic of China; for the purpose of this announcement, "PRC" does not include Taiwan, the Macau Special Administrative Region and Hong Kong
"Company" or "our Company"	Phoenix Healthcare Group Co., Ltd, a company with limited liability incorporated in the Cayman Islands on February 28, 2013
"Controlling Shareholder(s)"	Has the meaning ascribed thereto under the Listing Rules and, depending on the context refers to Ms. Xu Jie (徐捷), Ms. Xu Xiaojie (徐小捷) and Speed Key Limited or any one of them
"Director(s)"	the directors of our Company or any one of them
"Excluded Pharmaceuticals"	certain pharmaceuticals such as prepared traditional Chinese medicine (中藥飲片) and pharmaceuticals sold at community clinics which are excluded from our supply agreement with Hong Hui

"GDP"	gross domestic product
"Green Talent"	Green Talent Investments Limited, a limited liability company incorporated in the British Virgin Islands on March 26, 2012, our Shareholder
"Group"	Our Company and its subsidiaries
"HKEx"	Hong Kong Exchanges and Clearing Limited
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Hui"	Hong Hui Pharmaceutical Co., Ltd. (紅惠醫藥有限公司), a limited liability company incorporated under laws of the PRC on March 15, 1994, a supplier of our Group
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IOT"	the "invest-operate-transfer" model
"IOT hospitals and clinics"	third-party hospitals and clinics, which we manage and operate under the IOT model
"IPO"	initial public offering of the Shares on the main board of the Stock Exchange
"JCI"	the Joint Commission International, an international arm of The Joint Commission. The Joint Commission is an independent, not-for-profit organization which accredits and certifies healthcare organizations and programs
"Jian Gong Hospital"	Beijing Jian Gong Hospital Co., Ltd. (北京市健宮醫院有限公司), a limited liability company incorporated under the laws of the PRC on May 12, 2003 and a subsidiary of our Company, and its predecessor, Beijing Construction Worker Hospital (北京市建築工人醫院), before its reform
"Jing Mei Hospital"	Jing Mei Hospital (北京京煤集團總醫院), a not-for-profit hospital incorporated under the laws of the PRC in 1956 and wholly owned by Beijing Coal, which we began managing in May 2011 pursuant to the Jing Mei IOT Agreement
"Jing Mei Hospital Group"	collectively, Jing Mei Hospital and seven Grade I hospitals and 11 community clinics affiliated with Jing Mei Hospital
"Jing Mei IOT Agreement"	collectively, the IOT agreement we entered into with Beijing Coal on May 5, 2011, as amended
"Listing Date"	the date 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, as amended from time to time
"Mentougou Hospital"	Mentougou Hospital (北京市門頭溝區醫院), a not-for-profit hospital incorporated under the laws of the PRC in 1951 and wholly owned by the Mentougou District government, which we began managing in June 2010 pursuant to the Mentougou IOT Agreement

"Mentougou Hospital for Women and Children"	Mentougou Hospital for Women and Children (門頭溝婦幼保健院) incorporated under the laws of the PRC in 1983 and wholly owned by the Metougou District government, which we began managing in September 2014 pursuant to the Mentougou Hospital for Women and Children IOT Agreement
"Mentougou Hospital for Women and Children IOT Agreement"	the IOT agreement we entered into with the Mentougou District government on September 23, 2014
"Mentougou IOT Agreement"	collectively, the IOT agreement we entered into with the Mentougou District government on July 30, 2010, as amended
"Mentougou TCM Hospital IOT Agreement"	the IOT agreement we entered into with the Mentougou District government on June 6, 2012
"Mentougou Traditional Chinese Medicine Hospital"	Mentougou Traditional Chinese Medicine Hospital (北京市門頭溝區中醫院), a not-for-profit hospital incorporated under the laws of the PRC in 1956 and wholly owned by the Mentougou District government, which we began managing in June 2012 pursuant to the Mentougou TCM Hospital IOT Agreement
"Pinyu"	a limited liability company incorporated in the BVI on January 3, 2013, a wholly-owned subsidiary of our Group
"Prospectus"	the prospectus dated November 18, 2013 issued by the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	share(s) with par value of HK$0.00025 each in the capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Share Award Scheme"	the share award scheme adopted by our Company pursuant to a resolution passed by the Board of Directors on July 7, 2014
"Share Option Scheme"	the share option scheme adopted by our Company pursuant to a resolution passed by our Shareholders on September 30, 2013
"Star Target"	Star Target Investments Limited (星通投資有限公司), a limited liability company incorporated in Hong Kong on January 3, 2013, a wholly-owned subsidiary of our Group
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Syndicated Loan"	the facility granted to the Company pursuant to the Syndicated Loan Agreement
"Syndicated Loan Agreement"	the agreement we entered into with a consortium of lenders led by Deutsche Bank AG on February 4, 2015, whereby the Company was granted a facility in the aggregate sum of US$150.0 million with a repayment term of three year (which is extendable for an other two years after the initial three-year term), the interest rate of which is determined with reference the three-month London Interbank Offered Rate plus 3.15% per annum
"Unison Champ"	Unison Champ Limited, a limited liability company incorporated in the BVI on January 7, 2013, a wholly-owned subsidiary of our Company

"Yan Hua Hospital Group"	collectively, Yan Hua Hospital and 17 community clinics affiliated with Yan Hua Hospital
"Yan Hua Hospital"	Yan Hua Hospital (北京燕化醫院), a not-for-profit hospital established under the laws of the PRC in 1973 and wholly owned by Yan Hua Phoenix, which we started to manage and operate in February 2008 pursuant to the Yan Hua IOT Agreement and a connected person to our Company
"Yan Hua IOT Agreement"	collectively, the IOT agreement we entered into with Yan Hua Hospital Group and Yan Hua Phoenix on February 1, 2008, as amended
"Yan Hua Phoenix"	Beijing Yan Hua Phoenix Healthcare Asset Management Co., Ltd. (北京燕化鳳凰醫療資產管理有限公司), a limited liability company incorporated under the laws of the PRC on July 18, 2005, a wholly-owned subsidiary of Beijing Juxin Wantong and a connected person to our Company

By the order of the Board
Phoenix Healthcare Group Co. Ltd
Liang Hongze
Chairman

Hong Kong, March 25, 2015

As at the date of this announcement, the Board comprises Mr. LIANG Hongze (Chairman), Ms. XU Jie, Mr. ZHANG Xiaodan, Mr. XU Zechang and Mr. JIANG Tianfan, as executive Directors; Mr. YANG Huisheng and Mr. RUI Wei, as non-executive Directors; and Mr. KWONG Kwok Kong, Ms. CHENG Hong, Mr. WANG Bing and Mr. SUN Jianhua, as independent non-executive Directors.