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PHOENIX
HEALTHCARE
GROUP
鳳凰醫療集團

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, 2015

FINANCIAL HIGHLIGHTS

	Year ended December 31,	
	2015 (RMB'000)	2014 (RMB'000)
Revenue	1,372,267	1,206,265
Profit for the year attributable to:		
Equity holders of the Company	167,045	230,051
Equity holders of the Company, net of non-recurring profit or loss and special expenditure	238,212	220,641
Earnings per share		
— basic (RMB per share)	0.2	0.28
— diluted (RMB per share)	0.2	N/A
Proposed final dividend per share (HK\$ per share)	11.9 cents	5.0 cents

Note: Included in the non-recurring profit or loss and special expenditure for 2015 are the transaction cost of RMB27,375,000 in relation to the termination of the syndicated loan and share-based payment incurred by the Share Award Scheme in the amount of RMB41,762,000;

Non-recurring profit or loss in 2014 represents a net gain of RMB9,410,000 resulted from the compensation of RMB15,683,000 obtained by Jian Gong Hospital, the Company's non-wholly owned subsidiary for the disposal of lease prepayments for land use right during 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

China Healthcare Services Industry

China has a high economic volume and large population, creating one of the world's fastest growing and largest healthcare services market during the rapid development and urbanization over the past two decades. This offers a sound environment for the long term development of the healthcare services and related industries. However, due to the factors such as uneven population distribution and economic development, quality healthcare resources are mainly concentrated in the public medical institutes in the major cities of the core economic regions such as the Pan Bohai Rim, the Yangtze Delta and the Pearl River Delta regions. The healthcare services expenditure per capita is significantly below the average standard of developed economies. Also, as the pace of industrialization, urbanization and population aging accelerate, in addition to the commencement of the new cycle in economic development, the conflicts between the trending down economy against the increasing public demand in healthcare services has become more prominent, as well as the problems such as insufficient overall healthcare resources and structural imbalance. These raised new and significant challenges to the development of the healthcare services industry of the PRC.

With a view to achieve effective balance distribution of the healthcare resources, increase the overall supplies and efficiency of the healthcare services system, during recent years, the PRC government took the initiative to proactively roll out the comprehensive and deepening reformation of the healthcare system and the nation-wide public healthcare insurance, thus facilitating the rapid growth in the scale of healthcare industry. For example, in the Outline of the Planning of 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 by the State Council of the PRC in March 2015, emphasis is placed on problems such as insufficiency, inferiority, imbalanced structure and uneven allocation of overall resources of the national healthcare resources, fragmented services mechanism and unreasonable scale expansion of certain public hospitals. This has formulated quantitative objectives for national healthcare system development in areas such as healthcare resources allocation, different level medical institute structure organizations, healthcare talents development and integration of healthcare networks. The importance of developing healthcare by private capital has also been specifically raised. The target has been set up to 2020, the number of beds in healthcare institutions should be maintained at six units per thousand residents and the number of beds in healthcare institutions in privately-invested hospitals should be no less than 1.5 units. The purpose is to achieve the following under the government-leading and market oriented mechanism: to enhance resources allocation for the healthcare system, to develop an integrated healthcare services system which can meet the national economy and social development standards and the healthcare needs of the residents and to develop a comprehensive, complementary and cooperative integrated healthcare services system with clear division of labour.

In the 2014 Work Review and 2015 Major Tasks on Further Reform on the Medical and Healthcare System (《深化醫藥衛生體制改革2014年工作總結和2015年重點工作任務》) issued by the State Council of the PRC in April 2015, the effective development in and proactive situation of the reform on the national medical and healthcare systems were sufficiently recognized, meanwhile, it is also recognized that the healthcare system reform is a long, challenging and complicated system-wide project which faces certain difficulties and problems. The Major Tasks formulated the core ideas of further comprehensive reform on public hospitals, improvement in the nation-wide public healthcare insurance system, fostering the healthcare development by private capital investment, improvement in the pharmaceutical supplies security system and improvement in the multi-level diagnostic and treatment system targeting to the authorities of the PRC such as National Health and Family Planning Commission, National Development and Reform Commission, Ministry of Human Resources and Social Security, Ministry of Finance, China Insurance Regulatory Commission and Medical Reform Office of the State Council. These aim at proactively facilitating the investment of private capital in the healthcare industry, so as to put into practice the development philosophy of improving social welfare by industrial development and ensuring the long term healthy development of national healthcare system.

Moreover, in order to sufficiently encourage and attract private capital investment in the public infrastructure projects and to enhance the supply capacity and service quality in the public sector, in 2015, government authorities at different levels such as the State Council of the PRC, National Development and Reform Commission, National Health and Family Planning Commission, Ministry of Finance and the municipal government of Beijing, successively issued various important documents, such as the Guiding Opinions on the Pilot Integrated Reform Program of the Urban Public Hospitals (《關於城市公立醫院綜合改革試點的指導意見》), the Key Opinions on Deepening Economic Restructuring in 2015 (《關於2015年深化經濟體制改革重點工作意見》), the Guiding Opinions on Fostering the Development of the Diagnostic and Treatment Hierarchy (《關於推進分級診療制度建設的指導意見》), Certain Policy Initiatives on Accelerating the Promotion of Healthcare Development by Private Capital Investment (《關於促進社會辦醫加快發展若干政策措施》), the Guiding Opinions on Further Reform on State-owned Enterprises (《關於深化國有企業改革的指導意見》), the Guiding Opinions on the Promotion of the Cooperation Model between the Government and the Private Capital in the Public Services Sector (《關於在公共服務領域推廣政府和社會資本合作模式指導意見》), the Implementation Opinions on Innovating the Investment and Financing System of Key Areas for the purpose of Encouraging Private Investment (《關於創新重點領域投融資機制鼓勵社會投資的實施意見》), with aims to promote the adoption of public and private partnership model through cooperation between the government and private capital in key areas, facilitate the reform on the system and mechanism, provide favorable policy foundation and development conditions for the participation of private capital in the transformation and reform of different types of medical institutes at different levels creating room for the promotion and opportunities for the development of the diversified public hospital reforming model of the Group.

Business Review for 2015

During 2015, the Group continued to enhance its management and operation capability of the medical institute network, incentivized internal team and attracted external talents though (amongst others) share-based incentive scheme, further optimized the management processes and medical service standardization to enhance the operational efficiency and facilitate the resources sharing among various hospitals. Meanwhile, the Group has also developed long-term cooperation relationship with domestic and overseas partners in the healthcare industry, academic institutions and medical groups by utilizing the platform offered by the Group's listing status, which allowed the Group to raise its overall healthcare technology and medical service standards, to provide patients with enhanced quality healthcare services and create long-term and stable returns for the Company's shareholders.

While focusing on improving the service quality and operational efficiency of the medical institute network, the Group also proactively expanded the scale of hospital management network in the Beijing-Tianjin-Hebei region in 2015, and successively completed several key projects such as the development of the community collaborative healthcare system in Shunyi District, Beijing, the reform of the public hospital in Baoding, Hebei, which expanded the group's medical institute network of one Grade IIIA hospital, the No.1 Central Hospital in Baoding, two Grade IIA hospitals, the Beijing Shunyi District Kongsang Hospital and the Third Center Hospital in Baoding, one Grade IA hospital, the Second Hospital of Shunyi District and 11 community clinics. The inclusion of these new hospitals led to an increase of beds in operation from 3,382 to 5,780 in 2015, representing an increase of 70.9% as compared to the corresponding period in 2014. The number of patients treated by us increased from 3,935,000 to 5,577,000, representing an increase of 41.7% as compared to the corresponding period last year.

Moreover, in 2015, the Group and UMP Healthcare Holdings Limited in Hong Kong commenced in-depth cooperation on equity and business levels. With reference to the mature organizational structure and industrialized model of clinics in Hong Kong and by leveraging on the existing medical institute resources of the Group, we will establish a for-profit general practice clinic network in Beijing. Through the extension of preliminary general practice healthcare services network and the establishment of multi-level diagnosis and treatment system, we will provide convenient and quality healthcare management services to patients and favorable conditions precedent for our further development into the upstream and downstream sectors along the industrial chain, such as medical insurance, rehabilitation, nursing and elderly healthcare services.

In 2015, the Group adhered to our development principles and developed according to the practical needs of our patients and development needs of medical institutes, and kept improving the standards of clinical healthcare services and the capabilities of hospital network management. As a leading enterprise in the public hospital reform under the PRC healthcare system reform, the commencement and completion of the key medical reform projects by the Group in the Beijing-Tianjin-Hebei region in 2015 reflected that our Group's profession in operation and management of hospitals is highly recognized by government authorities at different levels and residents across the region, which laid down a solid foundation for further exploration of the healthcare market in the Beijing- Tianjin-Hebei region for our Group.

Industry Outlook

Under the policies pronounced and initiated by different levels of governmental authorities in China on major reform of the national healthcare system and the utilization of market-oriented mechanism to improve on the healthcare resources allocation, it is expected the government authorities of the PRC, state-owned enterprises and the military will expand the reform to different levels of public hospitals and to attract private investment into the healthcare services industry, as well as working with private partners through the government procurement of services model, public and private partnership model and the reconstruction-operation-transfer model, in order to comprehensively reform public hospital system, develop fundamental healthcare network, improve on the existing medical institute management and to develop elderly care and rehabilitation healthcare system, to create a favourable environment for the growth and expansion of hospital management business with experience in healthcare reform and edge in its network and size.

In recent years, the demand for healthcare services was increasing significantly due to the growth of aging population in China, and the continuous deceleration of economic growth has led to imbalanced development among different regions. As a result, the difference between the supply and demand of healthcare services has significantly increased, leading to growing pressure on the payment of public medical insurance. It is expected that, as the healthcare services industry in China developed in the future, a multi-level integrated healthcare system will be built jointly by public and private sectors upon the integration of the core public hospital healthcare resources with commercial insurance and elderly and rehabilitation services, offering a platform for the continuous and stable growth of the innovative development of the healthcare services industry in China.

Development Strategies

Innovative development and clinical services have been the core strategies of the Group, as well as the key to success during the course of operation and administration of hospitals over the years. In the coming years, the Group aims to “develop from a hospital group into a healthcare industrial group and transit from individual hospital operation to a healthcare system operation” and to capture core resources of the industry. The details of our plan are as follows:

— *Expanding the hospital management network in the Beijing-Tianjin-Hebei region*

Leveraging on the Group's advantage in hospital operations, we will capitalize on opportunities arising from reform on the healthcare system by building upon the foundation laid down by the existing quality healthcare resources and experience in healthcare reform. We will expand the hospital management network of the Group into the entire Beijing-Tianjin-Hebei region. The advantages offered by our capital platform allow the Group to further participate in various types of public hospital reforms through various new cooperation models, to enhance our investment in and control over the core resources in the industry and to build up an integrated large-scale healthcare group in the Beijing-Tianjin-Hebei region.

— *Developing a collaborative healthcare system to improve the diagnosis and treatment system*

Based on our existing medical institute network, the Group will develop a healthcare system integrating the preliminary healthcare, diagnosis, emergency, treatment, rehabilitation and caring of acute diseases by coordinating internal and external healthcare resources, which create a RIDS (regional integrated delivery) system. The Group will continuously enhance the quality of clinical services provided by the Group's network of hospitals and clinics, and to expand the coverage of the Group's services by improving the diagnostic and treatment experience of the patients. Through the cooperation with external organizations, such as local government, UMP, insurance companies, healthcare organizations, the Group will make use of its integrated healthcare resources to develop innovative industrial models such as resident health management to establish a demonstrative national benchmark of multi-level diagnosis and treatment system.

— *Exploration of innovative industrial model to continuously enhance the service quality of healthcare services*

The Group will develop innovative models in, amongst others, healthcare services, operation and management in the existing medical institute network. We will focus on the exploration of two models, namely, the combination of treatment and caring, and the combination of treatment and insurance. The Group will gradually extend its services into the sectors of elderly services and healthcare insurance during the course of developing our regional integrated collaborative healthcare system, thereby creating an industrial chain to integrate its services. At the same time, we actively explore the possibility of a partnership between physicians and informatization of healthcare services, in order to enhance the overall standards of medical technology and the efficiency of our medical services.

Operating Strategies

- Further enhancement of the centralization and standardization of key functions our hospital and clinic network, such as operation, administration, finance, procurement and planning so as to improve efficiency in the decision-making of the management and to reduce operating cost and achieve synergy at the same time.
- To train and retain talents by, amongst other, adopting a share-based incentive scheme and forming partnerships with physicians, to enhance our clinical technology standards and medical research capabilities and to facilitate exchange of medical knowledge and expertise among our network of hospitals and clinics.
- Improvement in project management in our network of hospitals and clinics to increase the efficiency of our hospital facilities, and to increase the efficiency and quality of the service and operation of our network.
- Further promote the JCI healthcare quality management standards and develop a patient-oriented hospital operation and management system to build an established and influential brand of healthcare services.
- To cooperate with leading industry players and to facilitate collaboration between key disciplines of different hospital to provide high-quality, advanced and safe integrated healthcare services.

FINANCIAL REVIEW

Segment Revenue

We derived revenue from our hospital and clinic network through the following three ways: (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 in which 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,	
	2015	2014
	(RMB'000)	(RMB'000)
Revenue	575,634	540,192
Cost of sales and services	(485,049)	(453,712)
Gross profit	90,585	86,480

Revenue from our general hospital services segment reached RMB575.6 million, representing a year-on-year increase of 6.56% and accounted for 41.9% of our total revenue in FY2015 due to increase in total patient visits and average spending per patient visit. The number of total patient visits at Jian Gong Hospital reached approximately 788,400 (FY2014: approximately 758,700), comprising of approximately 776,700 outpatient visits (FY2014: approximately 747,100) and 11,700 inpatient visits (FY2014: approximately 11,600). The average spending per outpatient visit increased to approximately RMB451 (FY2014: approximately RMB449), while the average spending per inpatient visit increased to approximately RMB19,177 (FY2014: approximately RMB17,667).

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.

During the period under review, Jian Gong Hospital's cost of sales and services grew to RMB485 million, representing a year-on-year increase of 6.9% which slightly surpassed the growth rate of revenue. This was mainly attributable to the higher costs of staff remuneration, medical devices and medical consumables. As a result, the gross profit margin slightly declined to 15.7% (FY2014: 16.0%).

Hospital management services

We managed and operated a total of 15 general hospitals, one traditional Chinese medicine hospital, one hospital for women and children and 42 community clinics under the IOT model in FY2015. In return, we were entitled to receive from each hospital or the hospital owners management fee, primarily calculated on the basis of 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 increased to RMB72.11 million, representing a year-on-year increase of 19.9% and accounted for 5.3% of our total revenue in FY2015. The following table sets out the revenue, cost of sales and services and gross profit of our hospital management services segment during the periods indicated:

	Year ended December 31,	
	2015 (RMB'000)	2014 (RMB'000)
Revenue	72,112	60,138
Cost of sales and services	(17,389)	(14,632)
Gross profit	54,723	45,506

	Year ended December 31,	
	2015 (RMB'000)	2014 (RMB'000)
Yan Hua Hospital Group	31,767	30,067
Mentougou Hospital	5,701	3,723
Jing Mei Hospital Group	26,400	20,880
Mentougou Traditional Chinese Medicine Hospital	8,244	5,468
Mentougou Hospital for Women and Children	—	—
Total	72,112	60,138

The management fee from Yan Hua Hospital Group was RMB31.8 million, representing an increase of 5.7% over FY2014. Total patient visits received by Yan Hua Hospital Group in 2015 remained basically stable as compared to FY2014, however, both of the average spending per outpatient visit and the average spending per inpatient visit increased, in addition to a relatively stable gross profit margin, the revenue was therefore slightly higher than FY2014. In addition, Yan Hua Hospital Group also successfully and effectively controlled its operating expenses and other costs, thereby leading to an increase in its net income before tax, which in turn increased the management fee for our Group.

The management fee from Mentougou Hospital was RMB5.7 million, representing an increase of 53.1% over FY2014. There was an increase in total patient visits received by Mentougou Hospital and the average spending per inpatient visit increased significantly due to the launch of more complicated operations with higher patient spending. As a result, the Group's management fee from Mentougou Hospital increased significantly as compared to FY2014.

The management fee from Jing Mei Hospital Group was RMB26.4 million, representing an increase of 26.4% over FY2014. The renovation of the in-patient building of Jing Mei Hospital Group has basically been completed, and led to an increase in both patient visits and average spending per patient, leading to higher revenue and gross profit and hence resulting in higher management fee for our Group.

The management fee from Mentougou Traditional Chinese Medicine Hospital was RMB8.2 million, representing an increase of 50.8% over FY2014. Both the total number of outpatient visits and average spending per patient visit continued to maintain at a relatively high growth rate at Mentougou Traditional Chinese Medicine Hospital, which led to an increase in both revenue and gross profit margin. Furthermore, Mentougou Traditional Chinese Medicine Hospital managed to control effectively its operating expenses and other costs, thereby leading to an increase in its net income before tax and in turn leading to a higher management fee for our Group.

Since Mentougou Hospital for Women and Children were relocated in FY2015, both the total number of outpatient visits and average spending per patient visit decreased and no management fee has been generated from this hospital.

The cost of sales and services of the Group's hospital management services were the amortization of intangible assets represented by all or part of the investments the Group made pursuant to the IOT agreements.

Our hospital management services incurred cost of sales and services of RMB17.4 million, representing a year-on-year increase of 18.8% due to (i) the first full year amortization for the investments of RMB15 million in Mentougou Hospital for Women and Children in September 2014, and (ii) the new investment in the amount of RMB100 million in the Beijing Shunyi District Konggang Hospital and the Second Hospital of Shunyi District in July 2015. Since the growth in revenue slightly outpaced the increase in cost of sales and services, the gross profit margin of the hospital management services segment of the Group slightly improved to 75.9% (FY2014: 75.7%).

Supply chain business

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

	Year ended December 31,	
	2015	2014
	(RMB'000)	(RMB'000)
Revenue	925,442	781,809
Cost of sales and services	(741,168)	(616,092)
Gross profit	184,274	165,717

Revenue from the supply chain business segment of the Group increased to RMB925.4 million, representing an increase of 18.4% over FY2014. The segment revenue from sales to Jian Gong Hospital in the amount of RMB200.9 million was recorded as inter-segment revenue and eliminated against total revenue. After the inter-segment elimination, the revenue from our supply chain business segment accounted for 52.8% of our total revenue in FY2015. The total number of patient visits at the hospital and clinic network of the Group (excluding those patients received by the Beijing Shunyi District Konggang Hospital, the Second Hospital of Shunyi District, the First Center Hospital of Baoding and the Third Center Hospital of Baoding, which only became IOT hospitals of the Group at in the second half of 2015) increased to approximately 4.16 million (FY2014: approximately 3.8 million excluding those patients received by Mentougou Hospital for Women and Children and approximately 3.93 million including Mentougou Hospital for Women and Children).

The cost of sales and services of the supply chain business segment of the Group represents the procurement costs of pharmaceuticals, medical devices and medical consumables. The cost of sales and services generated from the Group's supply chain business segment amounted to RMB741.2 million, representing a year-on-year increase of 20.3% over FY2014. The gross profit margin of the supply chain business segment of the Group decreased to 19.9% (FY2014: 21.2%). According to the supply agreement between the Group and Hong Hui, the Group gives to Hong Hui the consolidated pharmaceutical order of Jian Gong Hospital, Yan Hua Hospital Group and Jing Mei Hospital Group, except for certain Excluded Pharmaceuticals. Since the Group granted the priority to supply for the above-mentioned three hospitals with pharmaceuticals, Hong Hui agreed to grant the Group with a minimum economic benefit ("MEB"). In the event the gross profit falls below the MEB, Hong Hui will pay the Group any shortfall between such gross profit and the MEB.

In FY2015, Jian Gong Hospital, Yan Hua Hospital Group and Jing Mei Hospital Group purchased RMB986.3 million of pharmaceuticals in aggregate (except Excluded Pharmaceuticals). Pursuant to the supply agreement entered into by the Group and Hong Hui, the Group is entitled to RMB138.1 million of MEB, in which RMB48.6 million was accounted for as fee income. Where the Group (a) includes the pharmaceutical expenses of these three hospitals paid to Hong Hui and other suppliers procured by Hong Hui in our revenue from supply chain business; and (b) records the total fee income under the supply arrangement with Hong Hui in our gross profit of supply chain business, the adjusted gross profit margin of the Group's supply chain business would be 15.8% (FY2014: 15.7%).

Gross Profit

In FY2015, the gross profit of the Group amounted to RMB329.6 million in aggregate, representing a year-on-year increase of 10.7%. As the profit and gross profit margin contributed by the Group's general hospital services segment, hospital management services segment and supply chain business segment remained stable, the aggregate gross profit margin slightly decreased to 24.0% (FY2014: 24.7%).

Other Income

Other income amounted to RMB99.1 million, representing a year-on-year increase of 5.1%, mainly due to an increase in fee income from Hong Hui and the suppliers procured by Hong Hui, in conjunction to a decrease in interest and investment income on bank deposits.

Other Gains and Losses

Other gains and losses amounted to RMB1.4 million, mainly due to gain on deemed disposal of an associate and exchange losses resulted from the depreciation of Hong Kong dollar to RMB.

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to RMB10.6 million, representing a year-on-year increase of 29.1%, mainly attributable to an increase in staff costs.

Administrative Expenses

The administrative expenses incurred by the Group amounted to RMB139.30 million, representing a year-on-year increase of 80.1%, primarily due to (i) initial recognition of costs of share-based payment amounted to approximately RMB41.76 million; (ii) an increase in social security contributions resulting in an increase in staff costs and (iii) an increase in professional advisory fee.

Finance Costs

The Group's finance costs amounted to approximately RMB27.4 million, as the Group, due to fluctuation in the exchange market, terminated the finance granted to the Company under the US dollar syndicated loan agreement dated February 4, 2015 on January 15, 2016 upon agreement with the finance agents led by the Deutsche Bank after amicable negotiation, the initial payment expenses of such finance amounted to approximately RMB27.4 million.

Other Expenses

Other expenses amounted to approximately RMB3 million, which was mainly comprised of RMB2 million of expenses for the establishment of the Beijing Phoenix Healthcare Charity Fund and RMB30,000 of donation to the Tsinghua University Education Foundation.

Income Tax Expense

In FY2015, the Group's profit before tax amounted to RMB248.0 million, notwithstanding a decrease of 21.7% compared to the corresponding period in 2014, as the finance cost of syndicated loan and cost of share-based payment is non-deductible for PRC enterprise income tax, the income tax expense amounted to approximately RMB75.55 million, representing only a decrease of 2.2% from FY2014.

Net Profit

Profit attributable to shareholders amounted to RMB167 million, representing a decrease of 27.4% from FY2014, which was mainly attributable to the recognition of transaction cost of RMB27.4 million in relation to the terminated syndicated loan and RMB41.8 million of cost of share-based payment.

Inventories

As of December 31, 2015, the balance of inventories increased to RMB42.3 million (December 31, 2014: RMB33.8 million), primarily due to an increase in the inventories of pharmaceuticals.

Trade Receivables

As at December 31, 2015, the balance of trade receivables increased to RMB137.6 million (December 31, 2014: RMB93.7 million), of which approximately 86.2% were within 60 days.

Trade and Other Payables

As at December 31, 2015, the balance of trade payables was RMB209.5 million (December 31, 2014: RMB171.9 million), for the procurement of pharmaceuticals, medical devices and medical consumables from the Group's suppliers.

As at December 31, 2015, the balance of the Group's other payables amounted to RMB59.6 million (December 31, 2014: RMB58.6 million), which mainly comprised staff cost payables, PRC tax payables and deposits from suppliers.

Net Current Assets Position

As at December 31, 2015, the net current assets position of the Group was RMB904.1 million (December 31, 2014: RMB1,019.4 million). The decrease was mainly due to the declaration of special dividends in December 2015. Such dividends had been paid in January 2016.

LIQUIDITY AND CAPITAL RESOURCES

Set forth below the information from our Group's consolidated statement of cash flows during the periods indicated:

	Year ended December 31,	
	2015	2014
	(RMB'000)	(RMB'000)
Net cash generated from operating activities	231,700	274,213
Net cash generated from (used in) investing activities	29,766	360,894
Net cash (used in) generated from financing activities	(48,992)	(421,694)
Net increase in cash and cash equivalents	212,474	213,413

Net Cash Generated from Operating Activities

During FY2015, the net cash generated from operating activities was RMB231.7 million, which was mainly attributable to the profit before tax of RMB248 million, adjusted for the following items: non-cash expenses (including depreciation of property, plant and equipment) of RMB23.9 million, finance costs of syndicated loan of RMB27.4 million, amortization of intangible assets of RMB17.4 million in relation to our investments for management rights of IOT hospitals and clinics, cost of share-based payment of RMB41.8 million, foreign exchange loss of RMB3.4 million, partially offset by the following items: income tax paid of RMB80.6 million, interest and investment income of RMB44.1 million.

Net Cash Generated from Investing Activities

During FY2015, the net cash generated from investing activities was RMB29.8 million, which was mainly attributable to the proceeds from disposal of short-term investment of RMB4,722 million, proceeds from certificate of deposit of RMB2,656 million, investment income received from financial products of RMB33.8 million, repayment of investments of RMB9.8 million from IOT hospitals and clinics pursuant to the Group's IOT agreements, partly offset by purchase of financial products of RMB4,674.7 million, purchase of certificate of deposit of RMB2,388.7 million, investment of RMB100 million in Shunyi District Konggang Hospital and the Second Hospital of Shunyi District, investment of RMB142 million in an associate, investment of RMB9.25 million in a joint venture and purchase of property, plant and equipment of RMB32.17 million.

Net Cash Used in Financing Activities

During FY2015, the net cash used in financing activities was RMB49 million, which was mainly attributable to payment of RMB23.9 million for the purchase of existing share of the Company pursuant to the Share Award Scheme, payment of dividends in the amount of RMB32.5 million and payment of syndicated loan fee of RMB27.4 million, partially offset by the proceeds from share subscription of RMB41.9 million for the implementation of the Share Award Scheme.

Significant Investments, Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures and Future Plans for Material Investments of Capital Assets

As at December 31, 2015, the balance of short-term investments was approximately RMB75 million, mainly comprised of financial products operated by the banks and mutual funds from a financial institution that are redeemable at any time.

Investment with Baoding Shunyi District Medical Institutes

On May 28, 2015, the Group entered into an agreement with the People's Government of Shunyi District, Beijing, pursuant to which the Group and Shunyi District Government will establish a healthcare service system comprising preliminary diagnosis, comprehensive medical care and rehabilitation in the Shunyi District through the ROT (Restructure-Operate-Transfer) model. Please refer to the Company's announcement dated May 28, 2015 for details.

As at December 31, 2015, the Group invested working capital of RMB100.0 million to two pilot medical institutions namely Airport Hospital of Shunyi District, Shunyi District No. 2 Hospital and their related primary healthcare institutions for reconstruction and expansion of facilities, recruiting professionals, building clinical laboratories, purchasing medical equipment and improving clinical environment. The Group will receive an annual fixed repayment and management fees from these hospitals for 20 years from 2016 to 2035.

Investment in Baoding No.1 Central Hospital

On September 15, 2015, the Company and Baoding No.1 Central Hospital entered into a master agreement of 20 years of cooperation duration from 2015 to 2035, according to the master agreement, based on the development needs of No.1 Central Hospital, the Company will make an investment of RMB500 million by instalments to No.1 Central Hospital in relation to the cooperation. During the period of the Cooperation, No.1 Central Hospital will offer the Company a fixed return on investment principal per annum as investment return. In addition, the Company is entitled to a reasonable return in the form of management fees from No.1 Central Hospital based on the operation appraisal to be performed by the Baoding Government against No.1 Central Hospital. The management fees will comprise fixed management fees and floating management fees. Please refer to the Company's announcement dated September 15, 2015 for details.

As at 31 December 2015, the Company has not yet made investment to Baoding No.1 Central Hospital.

Investment in Baoding Third Center Hospital

On September 15, 2015, the Company and Baoding Third Center Hospital entered into a master agreement of 20 years of cooperation duration from 2015 to 2035, pursuant to the Master Agreement, based on the development needs of Third Center Hospital, the Company will make an initial investment of RMB32 million before January 31, 2016, and a second investment of RMB38 million before January 31, 2017, that is a total of RMB70 million, to Third Center Hospital in relation to the cooperation. During the period of the Cooperation, Third Center Hospital will offer the Company a fixed return on investment principal per annum as investment return. In addition, the Company is entitled to a reasonable return in the form of management fees from Third Center Hospital based on the operation appraisal to be performed by the Baoding Government against Third Center Hospital. The management fees will comprise fixed management fees and floating management fees. Please refer to the Company's announcement dated September 15, 2015 for details.

As at 31 December 2015, the Company has not yet made investment to Baoding Third Center Hospital.

Investment in UMP Healthcare Holdings

On March 18, 2015, the Group entered into a non-binding framework agreement with UMP Healthcare Holdings, 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 Healthcare Holdings on a 50:50 apportionment basis.

On July 13, 2015, the Company, True Point and Pinyu entered into a share purchase agreement pursuant to which Pinyu agreed to acquire, and True Point agreed to sell, 20% equity interest in UMP Healthcare Holdings at a consideration of HK\$180.0 million, which was completed on July 16, 2015. True Point, the Company, Pinyu and UMP Healthcare Holdings also entered into a shareholders' agreement on July 13, 2015 in order to regulate the affairs relating to UMP Healthcare Holdings and its subsidiaries.

Concurrently with the execution of the aforesaid share purchase agreement and the UMP Shareholders' Agreement, True Point, UMP Healthcare Holdings, UMP China, the Company, Pinyu and UMP Phoenix Healthcare Limited (the "JV Company") entered into a shareholders' agreement (the "JV Shareholders' Agreement") on July 13, 2015 pursuant to which the JV Company, on July 16, 2015, issued such number of shares to Pinyu at nominal value so that the JV Company is held as to 50% by Pinyu and 50% by UMP China.

Pursuant to the JV Shareholders' Agreement, both of the Group and UMP China have undertaken to invest RMB50 million each in the JV Company to fund the establishment of outpatient clinics and to establish a contract medicine business and any other business as UMP Healthcare Holdings and the Company may agree in the Beijing-Tianjin-Hebei region in the PRC on an exclusive basis. Please refer to the Company's announcement dated July 13, 2015 for details.

As at 31 December 2015, the JV Company has established a management office in Beijing and the decoration of three medical centers in Beijing is now in progress. The Group and UMP Healthcare Holdings have advanced to the JV Company according to the agreed terms of the JV Shareholders' Agreement.

On November 27, 2015, upon listing of the shares of UMP Healthcare Holdings on the Main Board of the Stock Exchange, the shareholding of the Company in UMP Healthcare Holdings, through Pinyu, has decreased from 20% to 15%.

The investment in UMP Healthcare Holding is accounted for as an investment in an associate under the equity method. As at December 31, 2015, the balance of investment in UMP Healthcare Holdings by the Company was approximately RMB155.0 million. As at December 31, 2015, the balance of investment in the joint venture is nil, loan to the joint venture amounted to approximately RMB6.36 million, which mainly comprised (i) RMB9.25 million paid by the Group to the JV Company as shareholder's loan, (ii) the investment of the Group in the JV Company, which is accounted for by the equity method. As the loss on the joint venture attributable to the Group amounted to RMB2.89 million, the excess of such loss over the investment of the Group to the joint venture has been written down against the loan to the joint venture.

Capital Expenditures

The capital expenditures of the Group primarily consist of the expenditures in respect of acquisition of property, plant and equipment and investment amount by the Group to IOT hospitals and clinics as well as the investment amount by the Group to associates and joint ventures. The amount of capital expenditures of the Group were approximately RMB283.4 million during FY2015, representing an increase of 147.9% from FY2014, primarily due to an investment of RMB151 million in the associates and joint ventures and the investment of RMB100 million to the working capital of the Shunyi District Konggang Hospital and the Second Hospital of Shunyi District and the related primary community healthcare institutions.

INDEBTEDNESS

Borrowings

The Group entered into the Syndicated Loan Agreement on February 4, 2015, of which the Syndicated Loan was denominated in US dollar.

Due to instability in the foreign exchange market, the Group terminated the facility granted to the Company under the USD based Syndicated Loan Agreement on January 22, 2016 upon agreement with the finance agents led by the Deutsche Bank after amicable negotiation, such finance (or any part thereof) had never been drawn down.

As at December 31, 2015, the Group did not has any borrowings.

Contingent Liabilities

As at December 31, 2015, 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 exposes the Group to foreign currency risk, mainly pertaining to the risk of fluctuations in the Hong Kong dollar and U.S. dollar against RMB.

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

Interest Rate Risk

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

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

Pledge of Assets

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

As the Syndicated Loan Agreement has been terminated on January 15, 2016, the completion of the procedures for discharging the above charges and pledges is in progress.

Contractual Obligations

As at December 31, 2015, the Group did not have any significant contractual obligations that would have a material effect on the financial position or operations of the Group.

Financial Instruments

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

Gearing Ratio

As at December 31, 2015, on the basis of total interest-bearing liabilities divided by total assets, the Group's gearing ratio was nil (FY2014: nil).

EMPLOYEE AND REMUNERATION POLICY

As at December 31, 2015, the Group had a total of 895 full time employees (December 31, 2014: 888 employees). For FY2015, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB209.8 million (FY2014: RMB136.7 million).

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

The Group has also adopted the Share Option Scheme and the Share Award Scheme to provide 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\$11.9 cents per share for FY2015 (FY2014: HK\$5 cents). The proposed final dividend will be payable to Shareholders whose names appear on the register of members of the Company on Monday, June 20, 2016. Subject to the approval by Shareholders at the annual general meeting to be held on June 8, 2016, it is expected that the final dividend will be paid on or before June 30, 2016.

OTHER INFORMATION

Annual General Meeting

The 2016 annual general meeting of the Company will be held on Wednesday, June 8, 2016 (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 Wednesday, June 8, 2016, the register of members of the Company will be closed from Monday, June 6, 2016 to Wednesday, June 8, 2016, 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 meeting, investors should 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 no later than 4:30 p.m. on Friday, June 3, 2016.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, June 16, 2016 to Monday, June 20, 2016, 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 no later than 4:30 p.m. on Wednesday, June 15, 2016.

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 (“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, 2015, save for the deviations as described below. The Company is committed to make 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, 2015 as the Company is not required to announce its quarterly results under the Listing Rules.

According to code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. 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.

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, 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as rules governing dealings by Directors in the listed securities of the Company.

Having made specific enquiry, the Company confirmed that all members of the Board complied with the Model Code during the year ended December 31, 2015. 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. To the best knowledge to the Company, no incident of non-compliance of the Model Code has been committed by such employees.

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

During the year ended December 31, 2015, 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 Company’s shares by the trustee under the Share Award Scheme. Pursuant to the Share Award Scheme, the Company has purchased, through the trustee of the Share Award Scheme, a total of 2,144,000 shares of the Company at cash consideration of approximately HK\$30.2 million on the Stock Exchange during the year ended December 31, 2015.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Save as (i) the hospital management right and investment framework agreement signed on February 1, 2008, and a hospital investment management agreement signed on February 4, 2008 (as supplemented by entering into supplementary agreements in April 2008, December 2010, June 2011, June 2013, July 2013, September 2013 and October 2013 respectively) between Beijing Phoenix, a wholly-owned subsidiary of the Group, Yan Hua Hospital Group and Yan Hua Phoenix (collectively, the “Yan Hua IOT Agreements”) and (ii) the sales agreement whereby Beijing Wanrong and Beijing Jiayi, wholly-owned indirect subsidiaries of the Group, supply pharmaceuticals, medical devices and medical consumables to Yan Hua Hospital Group on a recurring basis, none of the Directors nor any connected entity of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or 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, 2015.

For the year ended December 31, 2015, the management service fee and investment repayment from Yan Hua Hospital Group amounted to RMB35.4 million (of which RMB3.6 million is investment repayment), the sale of pharmaceuticals, medical devices and medical consumables to Yan Hua Hospital Group amounted to RMB248.6 million, both have not exceeded the relevant annual cap of RMB37.4 million and RMB330 million respectively set under Rule 14A.53 of the Listing Rules.

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. The Audit Committee is mainly responsible for assisting the Board to give independent advice in respect of the financial reporting process, risk management and internal control systems of the Group, supervising the audit process and performing other duties and responsibilities assigned by the Board.

The Audit Committee consists of 3 independent non-executive Directors, namely Mr. Kwong Kwok Kong (Chairman of the Audit Committee), Ms. Cheng Hong and Mr. Sun Jianhua. The Audit Committee, together with the management of the Company, have 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 consolidated financial statements of the Group for the year ended December 31, 2015.

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, 2015 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.phg.com.cn), and the 2015 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, 2015 together with the comparative figures for the year ended December 31, 2014.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2015

	<i>Notes</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Revenue	4	1,372,267	1,206,265
Cost of sales and services		(1,042,686)	(908,562)
Gross profit		329,581	297,703
Other income	5	99,090	94,255
Other gains and losses	6	1,394	12,037
Selling and distribution expenses		(10,605)	(8,214)
Administrative expenses		(139,316)	(77,371)
Finance costs	7	(27,375)	(944)
Other expenses	8	(3,000)	(707)
Share of profit of an associate	14	1,008	—
Share of loss of a joint venture	15	(2,809)	—
Profit before tax		247,968	316,759
Income tax expense	9	(75,554)	(77,230)
Profit for the year	10	172,414	239,529
Other comprehensive income for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Share of exchange differences of an associate and a joint venture		6,759	—
Total comprehensive income for the year		179,173	239,529
Profit for the year attributable to:			
Equity holders of the Company		167,045	230,051
Non-controlling interests		5,369	9,478
		172,414	239,529
Total comprehensive income attributable to:			
Equity holders of the Company		173,804	230,051
Non-controlling interests		5,369	9,478
		179,173	239,529
Earnings per share			
— basic (RMB yuan per share)	11	0.20	0.28
— diluted (RMB yuan per share)	11	0.20	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2015

	<i>Notes</i>	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Non-current assets			
Property, plant and equipment		145,223	138,292
Intangible assets	<i>13</i>	404,569	360,030
Receivables from invest-operate-transfer (“IOT”) hospitals		103,059	68,994
Lease prepayments for land use right		147,095	150,448
Interest in an associate	<i>14</i>	154,995	—
Interest in a joint venture	<i>15</i>	—	—
Loan to a joint venture	<i>15</i>	6,361	—
Deferred tax assets	<i>16</i>	300	1,346
		961,602	719,110
Current assets			
Inventories	<i>17</i>	42,322	33,832
Trade receivables	<i>18</i>	137,620	93,735
Prepayments and other receivables		42,887	24,528
Amounts due from a related party		57,500	67,838
Short-term investments	<i>19</i>	74,990	77,300
Certificate of deposit	<i>20</i>	116,684	384,027
Cash and cash equivalents	<i>20</i>	821,864	611,536
		1,293,867	1,292,796
Current liabilities			
Trade payables	<i>21</i>	209,543	171,874
Other payables		59,567	58,606
Tax payables		36,880	42,955
Dividends payable		83,823	—
		389,813	273,435
Net current assets		904,054	1,019,361
Total assets less current liabilities		1,865,656	1,738,471
Non-current liabilities			
Retirement benefit obligations		2,924	3,227
Net assets		1,862,732	1,735,244

	<i>Notes</i>	2015 RMB'000	2014 <i>RMB'000</i>
Capital and reserves			
Capital	23	166	166
Share premium		1,382,736	1,497,815
Reserves		364,976	129,131
Equity attributable to equity holders of the Company		1,747,878	1,627,112
Non-controlling interests		114,854	108,132
Total equity		1,862,732	1,735,244

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2015

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. 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 standards.

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle

The amendments to IFRS 8 Operating Segments require entities to disclose judgements made by management in applying the aggregation criteria set out in paragraph 12 of IFRS 8. The Group has aggregated several operating segments into a single operating segment and made the required disclosures to the Group’s consolidated financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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.

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 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	
	31 December	
	2015	2014
	RMB'000	RMB'000
General hospital services	575,634	540,192
Hospital management services	72,112	60,138
Supply chain business	724,521	605,935
	1,372,267	1,206,265

5. OTHER INCOME

	For the year ended	
	31 December	
	2015	2014
	RMB'000	RMB'000
Fee income from suppliers (<i>Note</i>)	48,640	42,066
Interest and investment income on:		
financial products	33,828	28,935
receivables from IOT Hospitals	10,306	6,783
bank deposits	4,429	14,366
Government grant	4	877
Others	1,883	1,228
	99,090	94,255

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.

6. OTHER GAINS AND LOSSES

	For the year ended	
	31 December	
	2015	2014
	RMB'000	RMB'000
Gain on deemed disposal of an associate (<i>Note</i> 14)	5,163	—
Foreign exchange loss	(3,397)	(3,647)
(Loss)/gain on disposal of property, plant and equipment	(216)	1
Fair value changes of mutual funds	(156)	—
Gain on disposal of lease prepayments for land use right	—	15,683
	1,394	12,037

7. FINANCE COSTS

	For the year ended	
	31 December	
	2015	2014
	RMB'000	RMB'000
Transaction cost of the syndicated loan (<i>Note</i>)	27,375	—
Interests on borrowings wholly repayable within five years	—	944
	27,375	944

Note: On February 4, 2015, the Company as borrower entered into the syndicated loan agreement under which the Company was granted a facility in the aggregate sum of US\$150 million, with a repayment term of 3 years (which is extendable for another 2 years after the initial 3-year term), the interest rate of which is determined with reference to the three-month LIBOR plus 3.15% per annum (“Syndicated Loan Agreement”). The syndicate under the Syndicated Loan Agreement is led by Deutsche Bank AG, with participation from a consortium of other banks (the “Lenders”). Due to the instability of the foreign exchange market in 2015, the Directors decided to terminate the Syndicated Loan Agreement with the Lenders by a friendly negotiation in advance. The loan has never been drawn down. Transaction cost in relation to the syndicated loan amounting to RMB27,375,000 has been recognised in the profit or loss for the year ended December 31, 2015(2014:Nil).

8. OTHER EXPENSES

	For the year ended	
	31 December	
	2015	2014
	RMB'000	RMB'000
Medical disputes expenditure	933	603
Donation	2,030	—
Others	37	104
	3,000	707

9. INCOME TAX EXPENSE

Income tax expense recognised in profit or loss:

	For the year ended	
	31 December	
	2015	2014
	RMB'000	RMB'000
Current tax:		
PRC enterprise income tax ("EIT")	74,508	77,496
Deferred tax (<i>Note 16</i>)	1,046	(266)
Total income tax recognised in profit or loss	75,554	77,230

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

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

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

	For the year ended	
	31 December	
	2015	2014
	RMB'000	RMB'000
Profit before tax	247,968	316,759
Tax calculated at statutory tax rates of 25%	61,992	79,190
Tax effect of share of profit of an associate	(1,543)	—
Tax effect of share of loss of a joint venture	702	—
Tax effect of different tax rates on intra-group interest income/interest expense	(2,745)	(2,280)
Tax effect of expenses not deductible for tax purposes	10,933	2,118
Effect of different tax rates of overseas companies	6,215	(1,798)
Income tax expense	75,554	77,230

10. PROFIT FOR THE YEAR

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

	For the year ended	
	31 December	
	2015	2014
	RMB'000	RMB'000
Depreciation of property, plant and equipment	23,873	21,162
Amortisation of lease prepayments for land use right	3,375	3,397
Amortisation of intangible assets (Included in cost of sales and services)	17,389	14,633
Total depreciation and amortisation	44,637	39,192
Cost of inventories recognised as expense	884,112	771,435
Operating lease rentals in respect of rented premises	4,911	3,440
Directors' emoluments	15,676	7,068
Other staff cost		
Salaries and other allowances	149,541	121,528
Retirement benefit contributions	10,986	8,074
Equity-settled share-based payment expense for employees	33,582	—
Total staff costs	209,785	136,670
Auditor's remuneration	2,500	2,500

11. EARNINGS PER SHARE

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

	For the year ended	
	31 December	
	2015	2014
	RMB'000	RMB'000
<hr/>		
Earnings		
Profit for the purpose of basic and diluted earnings per share for the year attributable to equity holders of the Company	167,045	230,051
<hr/>		
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	818,737	830,870
Effect of dilutive potential ordinary shares:		
Non-vested shares under Share Award Scheme (in thousands)	609	N/A
<hr/>		
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	819,346	N/A
<hr/>		

The weighted average number of shares used for the purpose of calculating the basic earnings per share for the year ended December 31, 2015 and 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 that year.

12. DIVIDENDS

	For the year ended 31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
<hr/>		
Dividends recognised as distributions during the year:		
2014 Final — HK\$5 cents per share (2013: HK\$6.7 cents per share) <i>(Note i)</i>	32,506	44,455
2015 special dividend <i>(Note ii)</i>	82,573	—
	<hr/>	<hr/>
	115,079	44,455
	<hr/>	<hr/>

Notes:

- (i) On May 13, 2015, the Board resolved that the proposed final dividend for the year ended December 31, 2014 was revised to HK\$0.05 per ordinary share of the Company with total dividends of approximately RMB32,904,000, instead of HK\$0.17 per ordinary share to the shareholders whose names appear on the register of members of the Company on June 12, 2015. This proposed resolution was duly passed by the shareholders of the Company by way of poll at the annual general meeting of the Company held on June 4, 2015. The Trust hold the dividends of the treasury share of approximately RMB398,000.
- (ii) On December 17, 2015, the Company declared the Special Dividend of HK\$0.12 per share with total dividends of approximately HK\$100,051,560 (equivalent to approximately RMB82,573,000) to shareholders whose names appear on the register of members of the Company at the close of business on January 8, 2016. The special dividend was paid on January 8, 2016.
- (iii) Subsequent to the end of the reporting period, final dividend of HK\$0.119 per share in respect of the year ended December 31, 2015 was proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

13. 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	
	31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Cost:		
At beginning of the year	408,702	351,288
Additions:		
Fair value adjustments (<i>Note</i>)	61,928	57,414
At the end of the year	470,630	408,702
Accumulated amortisation:		
At beginning of the year	(48,672)	(34,039)
Charge for the year	(17,389)	(14,633)
At the end of the year	(66,061)	(48,672)
Carrying amount at the end of the year	404,569	360,030

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 statement of profit or loss and other comprehensive income) over the operating period of the respective IOT arrangements.

14. INTEREST IN AN ASSOCIATE

	As at
	31 December
	2015
	<i>RMB'000</i>
Cost of investment in an associate	141,985
Share of post-acquisition profit and other comprehensive income	1,008
Gain on deemed disposal of an associate	5,163
Exchange adjustment	6,839
	154,995

15. INTEREST IN A JOINT VENTURE

Details of the Group's investment in a joint venture are as follows:

	As at 31 December
	2015
	RMB'000
Cost of investment in a joint venture	—
Loan to a joint venture	9,250
Less:	
Share of post-acquisition loss that is in excess of the cost of the investment	(2,889)
	6,361

16. DEFERRED TAX ASSETS

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

	Accrued
	expenses
	RMB'000
At January 1, 2014	1,080
Credit to profit or loss	266
At December 31, 2014	1,346
Charge to profit or loss	(1,046)
At December 31, 2015	300

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 RMB648,952,000 as at December 31, 2015 (2014: RMB481,972,000) 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.

17. INVENTORIES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Pharmaceuticals	32,962	27,001
Medical devices and medical consumables	9,360	6,831
	42,322	33,832

18. TRADE RECEIVABLES

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

	As at 31 December	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 60 days	118,555	85,715
61 to 180 days	6,396	4,026
181 to 365 days	12,669	3,994
	137,620	93,735

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of each 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	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Overdue by:		
61 to 90 days	—	3,994
91 to 180 days	12,669	—
Total	12,669	3,994

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.

19. SHORT-TERM INVESTMENTS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Mutual funds (<i>Note i</i>)	45,000	—
Financial products (<i>Note ii</i>)	29,990	77,300
	74,990	77,300

Notes:

- (i) The mutual funds were operated by a financial institution as an investment portfolio of identified financial instruments. The mutual funds were non-principal protected with variable returns, which have been classified as financial assets at FVTPL, and can be redeemed by the Group any time at its discretion. The fair values of the mutual funds were determined based on the executable redemption prices provided by the issuing financial institution.
- (ii) The financial products were operated by banks, with expected annual return ranging from 3.35% to 4.41% per annum which have been designated at FVTPL. The maturity of the financial products is in January 2016.

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

20. CERTIFICATE OF DEPOSIT AND CASH AND CASH EQUIVALENTS

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Bank balance and cash (classified as cash and cash equivalents)	821,864	611,536
Certificate of deposit	116,684	384,027
	938,548	995,563

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Cash and cash equivalents and certificate of deposit denominated in:		
— RMB	847,643	968,445
— USD	3,396	962
— HKD	87,509	26,156
	938,548	995,563

Bank balances carried interest at market rates which range from 0.01% to 1.30% per annum over both years. As at the December 31, 2015, the Group had the certificate of deposit of RMB116,684,000 (2014: RMB384,027,000) with interest rate ranging from 3.55% to 4.9% (2014: from 1.35% to 4.5%) per annum, which will mature on February 4, 2016.

21. 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	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Within 60 days	189,768	149,916
61–180 days	18,221	21,039
>180 days	1,554	919
	209,543	171,874

22. SHARE-BASED PAYMENT TRANSACTIONS

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

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

The Group recognised the total expense of RMB41,762,000 for the year ended December 31, 2015 in relation to the Scheme.

23. CAPITAL

Ordinary shares of HK\$ 0.00025 each	Number of shares	Share capital HK\$'000	Share capital RMB'000
Authorised			
At January 1, 2014 and December 31, 2014 and 2015	1,520,000,000	380	302
Issued and fully paid			
At January 1, 2014 and December 31, 2014 and 2015	833,763,000	209	166

Note:

- (i) During the year ended December 31, 2015 and 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 HK\$'000
		Highest HK\$	Lowest HK\$	
January 2015	2,144,000	14.28	13.91	30,218
September 2014	3,102,500	13.21	12.62	39,999
October 2014	6,583,000	13.29	12.74	85,896
November 2014	2,159,000	15.65	15.08	32,965
December 2014	4,200,000	15.10	14.89	62,996

DEFINITIONS

“Audit Committee”	the audit committee of the Board
“Award Shares”	such Shares awarded pursuant to the Share Award Scheme, the maximum number of which shall not exceed 5% of the total issued capital of the Company as at July 7, 2014 and 1% of the total number issued Shares to each of the selected Participant as at July 7, 2014
“Beijing Easylife”	Beijing Phoenix Easylife Healthcare Consulting Co., Ltd. (北京鳳凰益生醫學技術諮詢有限公司), a limited liability company established under the laws of the PRC on January 18, 2008, and a wholly-owned subsidiary of our Group
“Beijing 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 established under the laws of the PRC on June 9, 2003, and a wholly-owned subsidiary of Beijing Wantong a connected person to our Company
“Beijing Phoenix”	Beijing Phoenix United Hospital Management Consulting Co. Ltd. (北京鳳凰聯合醫院管理諮詢有限公司), formerly known as Beijing Phoenix United Hospital Management Co., Ltd. (北京鳳凰聯合醫院管理有限公司) and Beijing Phoenix United Hospital Management Joint Stock Co., Ltd. (北京鳳凰聯合醫院管理股份有限公司), a limited liability company established under the laws of the PRC on November 6, 2007, and a wholly-owned subsidiary of our Company
“Beijing 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” or “Board of Directors”	the board of Directors of our Company
“BVI”	the British Virgin Islands
“Chairman”	the chairman of our Board

“Chief Executive Officer”	the chief executive officer of our Company
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Taiwan, the Macau Special Administrative Region and Hong Kong
“Company” or “our Company”	Phoenix Healthcare Group Co. Ltd, a company with limited liability incorporated in the Cayman Islands on February 28, 2013
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and, depending on the context, refers to Xu Jie (徐捷), Xu Xiaojie (徐小捷), Xu Bao Rui (徐寶瑞) and Speed Key Limited or any one of them
“Director(s)”	the directors of our Company or any one of them
“Eligible Persons”	any of the (i) key management personnel including the Directors and senior management of the Group; (ii) employed experts as nominated by the Board; and (iii) core employees of the Group
“Excluded Pharmaceuticals”	certain pharmaceuticals such as prepared traditional Chinese medicine (中藥飲片) and pharmaceuticals sold at community clinics which are excluded from our supply agreement with Hong Hui
“Group”, “we” or “us”	our Company and its subsidiaries
“HK\$” or “HKD” and “cent(s)”	Hong Kong dollar and cent(s) respectively, the lawful currency of Hong Kong
“Hong Hui”	Hong Hui Pharmaceutical Co., Ltd. (紅惠醫藥有限公司), a limited liability company established under laws of the PRC on March 15, 1994, a supplier of the Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRSs”	International Financial Reporting Standards
“IOT”	the “invest-operate-transfer” model
“IOT hospitals and clinics”	third-party hospitals and clinics, which we manage and operate under the IOT model
“Jian Gong Hospital”	Beijing Jian Gong Hospital Co., Ltd. (北京市健宮醫院有限公司), a limited liability company established under the laws of the PRC on May 12, 2003 and a subsidiary of our Company, and its predecessor, Beijing Construction Worker Hospital (北京市建築工人醫院), before its reform

“Jing Mei Hospital”	Jing Mei Hospital (北京京煤集團總醫院), a not-for-profit hospital established under the laws of the PRC in 1956 and wholly owned by Beijing Coal, which we began managing in May 2011 pursuant to the Jing Mei IOT Agreement
“Jing Mei Hospital Group”	collectively, Jing Mei Hospital and seven Grade I hospitals and 11 community clinics affiliated with Jing Mei Hospital
“Jing Mei IOT Agreement”	collectively, the IOT agreement we entered into with Beijing Coal on May 5, 2011, as amended
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mentougou Hospital”	Mentougou Hospital (北京市門頭溝區醫院), a not-for-profit hospital established under the laws of the PRC in 1951 and wholly owned by the Mentougou District government, which we began managing in June 2010 pursuant to the Mentougou IOT Agreement
“Mentougou Hospital for Women and Children”	Mentougou Hospital for Women and Children (門頭溝婦幼保健院) incorporated under the laws of the PRC in 1983 and wholly owned by the Mentougou District government, which we began managing in September 2014 pursuant to the Mentougou Hospital for Women and Children IOT Agreement
“Mentougou Hospital for Women and Children IOT Agreement”	the IOT agreement we entered into with the Mentougou District government on September 23, 2014
“Mentougou IOT Agreement”	collectively, the IOT agreement we entered into with the Mentougou District government on July 30, 2010, as amended
“Mentougou TCM Hospital IOT Agreement”	the IOT agreement we entered into with the Mentougou District government on June 6, 2012
“Mentougou Traditional Chinese Medicine Hospital”	Mentougou Traditional Chinese Medicine Hospital (北京市門頭溝區中醫院), a not-for-profit hospital established under the laws of the PRC in 1956 and wholly owned by the Mentougou District government, which we began managing in June 2012 pursuant to the Mentougou TCM Hospital IOT Agreement
“Pinyu”	a limited liability company incorporated in the BVI on January 3, 2013, a wholly-owned subsidiary of our Company
“Remuneration Committee”	the remuneration committee of the Board
“RMB”	Renminbi, the lawful currency of the PRC
“Selected Participant(s)”	Eligible Persons selected by the Board in accordance with the terms of the Share Award Scheme

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	holder(s) of the Share(s)
“Share Award Scheme”	the share award scheme of the Company adopted by the Board pursuant to a resolution passed by the Board on July 7, 2014, as amended by the Board on May 25, 2015
“Share Option Scheme”	the share option scheme conditionally adopted by the Company pursuant to a resolution passed by our Shareholders on September 30, 2013
“Share(s)”	share(s) with par value of HK\$0.00025 each in the capital of the Company
“Speed Key Limited”	a limited liability company incorporated in the BVI on January 30, 2013, a Controlling Shareholder and a connected person to the Company
“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 another 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
“True Point”	True Point Holdings Limited, a limited liability company incorporated in the BVI
“UMP China”	UMP Healthcare China Limited, a limited liability company incorporated in the Cayman Islands, and a direct wholly owned subsidiary of UMP Healthcare Holdings
“UMP Healthcare Holdings”	UMP Healthcare Holdings Limited (聯合醫務控股有限公司), a limited liability company incorporated in the Cayman Islands, and a subsidiary of True Point Holdings Limited, a limited liability company incorporated in the BVI
“JV Company”	UMP Phoenix Healthcare Limited, a Limited Liability company incorporated in the BVI, which is held as to 50% by Pinyu and 50% by UMP China.
“U.S. dollar” or “US\$”	United States dollar, the lawful currency of the United States
“United States” or “U.S.”	the United States of America, its territories and possessions, and all areas subject to its jurisdiction

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

In this announcement, the terms “associate”, “connected person”, “connected transaction”, “subsidiary” and “substantial shareholder” shall have the same meanings given to such terms in the Listing Rules, unless the context otherwise requires.

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

Hong Kong, March 30, 2016

As at the date of this announcement, the Board comprises Mr. LIANG Hongze, Ms. XU Jie, Mr. ZHANG Xiaodan, Mr. XU Zechang, Mr. JIANG Tianfan, Mr. SHAN Baojie and Mr. CHENG Libing as executive Directors; Mr. KWONG Kwok Kong, Ms. CHENG Hong, Mr. SUN Jianhua and Mr. LEE Kar Chung Felix as independent non-executive Directors.