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18 November 2013

The Directors
Phoenix Healthcare Group Co. Ltd
Deutsche Securities Asia Limited
Goldman Sachs (Asia) L.L.C

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Phoenix Healthcare Group Co. Ltd (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2012 and the six months ended 30 June 2013 (the "Track Record Period") for inclusion in the prospectus of the Company dated 18 November 2013 (the "Prospectus") in connection with the initial public offering and listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing").

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands on 28 February 2013. Pursuant to a corporate reorganization, as more fully explained in the section headed "History and Reorganization" to the Prospectus (the "Reorganization"), the Company became the holding company of companies now comprising the Group on 2 July 2013.

During the Track Record Period and as at the date of this report, the Company has interests in the following subsidiaries:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital at the date of this report	Equity interest attributable to the Group					Principal activities
			31 December 2010	31 December 2011	31 December 2012	30 June 2013	Date of the report	
			%	%	%	%	%	
Beijing Phoenix United Hospital Management Consulting Co., Ltd. (北京鳳凰聯合醫院管理諮詢有限公司) ("Beijing Phoenix") *(notes i and viii)*	The People's Republic of China (the "PRC") 6 November 2007	RMB140,580,000	100.00	100.00	100.00	100.00	100.00	Investment holding and hospital management
Beijing Jian Gong Hospital Co., Ltd. (北京市健宮醫院有限公司) ("Jian Gong Hospital") *(notes ii and viii)*	The PRC 12 May 2003	RMB420,552,600	72.80	52.98	80.00	80.00	80.00	General hospital services

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital at the date of this report	Equity interest attributable to the Group 31 December 2010	31 December 2011	31 December 2012	30 June 2013	Date of the report	Principal activities
			%	%	%	%	%	
Beijing Wanrong Yi kang Medical Pharmaceutical Co., Ltd. (北京萬榮億康醫藥有限公司) ("Beijing Wanrong") *(notes iii and viii)*	The PRC 20 March 2000	RMB3,000,000	100.00	100.00	100.00	100.00	100.00	Supply chain business
Beijing Phoenix Jiayi Medical Devices Co., Ltd. (北京鳳凰佳益醫療器械有限公司) ("Beijing Jiayi") *(notes iv and viii)*	The PRC 9 December 2004	RMB4,000,000	100.00	100.00	100.00	100.00	100.00	Supply chain business
Beijing Phoenix Easylife Healthcare Consulting Co., Ltd. (北京鳳凰益生醫學技術諮詢有限公司) ("Beijing Easylife") *(notes v and viii)*	The PRC 18 January 2008	RMB1,000,000	100.00	100.00	100.00	100.00	100.00	General hospital services
Beijing Phoenix Easylife Technology and Trade Co., Ltd. (北京鳳凰益生科貿有限公司) ("Easylife Technology and Trade") *(notes v and viii)*	The PRC 28 April 2011	RMB500,000	N/A	100.00	100.00	100.00	100.00	Inactive
Unison Champ Limited ("Unison Champ")	The British Virgin Islands (the "BVI") 7 January 2013	USD1	N/A	N/A	N/A	100.00	100.00	Investment holding
Pin yu Limited ("Pin yu")	The BVI 3 January 2013	USD1	N/A	N/A	N/A	N/A	100.00	Investment holding
Phoenix Healthcare International Investment Limited ("Phoenix International") *(note vi)*	Hong Kong 28 August 2012	HKD1	N/A	N/A	N/A	100.00	100.00	Investment holding
Star Target Investments Limited ("Star Target")	Hong Kong 3 January 2013	HKD1	N/A	N/A	N/A	N/A	100.00	Investment holding

Notes:

(i) Beijing Phoenix was incorporated in the PRC as a joint-stock company by Beijing Phoenix Wantong Investment Management Co., Ltd (北京鳳凰萬同投資管理有限公司) ("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) ("Beijing Weike") on 6 November 2007. On 8 March 2013, Beijing Phoenix was converted to a limited liability company. Upon the completion of the Reorganization, Beijing Phoenix becomes a wholly-foreign invested enterprise.

(ii) Jian Gong Hospital was established by Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限責任公司, the "Beijing Construction Engineering Group"), formerly known as Beijing Construction Worker Hospital (北京市建築工人醫院), an independent third party entity, as a not-for-profit public hospital and was reformed into a limited liability company on 12 May 2003. Beijing Phoenix acquired 66% equity interests in Jian Gong Hospital on 6 December 2007.

On 5 January 2009, an additional capital contribution of RMB20 million was injected by Beijing Phoenix. As a result, Beijing Construction Engineering Group and Beijing Phoenix owned 27.20% and 72.80% equity interest in Jian Gong Hospital after such capital increase from RMB80 million to RMB100 million, respectively.

On 18 May 2011, Beijing Phoenix and Beijing Construction Engineering Group contributed RMB150 million and RMB170.6 million into Jian Gong Hospital in the form of cash and land use right, respectively. Beijing Construction Engineering Group and Beijing Phoenix owned 47.02% and 52.98% equity interest in Jian Gong Hospital after such capital increase from RMB100 million to RMB420.6 million, respectively.

Pursuant to an equity transfer agreement dated 27 June 2012, Beijing Phoenix further acquired 27.02% equity interest in Jian Gong Hospital from Beijing Construction Engineering Group at a consideration of RMB128.9 million. Beijing Construction Engineering Group and Beijing Phoenix owned 20% and 80% equity interest in Jian Gong Hospital after such equity transfer.

On 18 April 2013, Beijing Phoenix entered into an equity transfer agreement with Beijing Wantong, pursuant to which Beijing Phoenix transferred 10% of its legal ownership in the equity interest in Jian Gong Hospital to Beijing Wantong, while the relevant rights and beneficial interests are retained by the Group. Accordingly, Beijing Wantong, Beijing Construction Engineering Group and Beijing Phoenix have the legal ownership of 10%, 20% and 70% in Jian Gong Hospital, respectively whereas the 10% equity interest held by Beijing Wantong is also attributable to the Group based on the terms of the aforesaid equity transfer agreement. In August 2013, the 10% equity interest was transferred back to Beijing Phoenix (see section C to the Financial Information).

(iii) Beijing Wanrong was incorporated as a limited liability company under PRC laws on 20 March 2000 by independent third-party entities. Beijing Phoenix acquired 100% equity interests in Beijing Wanrong at a consideration of RMB3 million on 7 April 2008.

(iv) Beijing Jiayi was incorporated as a limited liability company under PRC laws on 9 December 2004 by two independent individuals. Pursuant to a series of equity transfer agreements in 2005 and 2007, Beijing Phoenix finally acquired 100% equity interests in Beijing Jiayi.

(v) Beijing Easylife and Easylife Technology and Trade were incorporated as limited liability companies on 18 January 2008 and 28 April 2011 respectively. They are both wholly-owned subsidiaries of Beijing Phoenix during the Track Record Period.

(vi) On 28 August 2012, Phoenix International was incorporated in Hong Kong as a limited liability company by an independent third-party entity. Unison Champ acquired 100% equity interests in Phoenix International on 22 March 2013.

(vii) Except for Unison Champ which is directly held by the Company, all other subsidiaries are indirectly held by the Company.

(viii) The English name is for identification only. The official names of the companies are in Chinese.

The financial year end date of all the companies now comprising the Group is 31 December.

No statutory financial statements have been prepared for the Company as well as Unison Champ and Pinyu incorporated in the Cayman Islands and the BVI, respectively, since their respective dates of incorporation, as there is no statutory requirement for these companies to issue audited financial statements in their respective places of incorporation. No statutory financial statements have been prepared for Star Target and Phoenix International since their respective dates of incorporation, as their first statutory financial statements are not yet due to be issued. No audited financial statements have been prepared for Beijing Wanrong, Beijing Jiayi and Beijing Easylife for the financial years ended 31 December 2011 and 2012, as there is no statutory audit requirement for PRC domestic limited liability company. No statutory financial statements have been prepared for Easylife Technology and Trade, as it was inactive during the Track Record Period and there is no statutory requirement for inactive company to issue audited financial statements in the PRC.

The statutory financial statements of the Company's subsidiaries established in the PRC were prepared in accordance with the relevant accounting principles and financial regulations in the PRC. They were audited by the following certified public accountants registered in the PRC:

Name of subsidiaries	Financial year ended	Name of auditors
Beijing Phoenix	31 December 2010	Grant Thornton China (致同會計師事務所)
	31 December 2011	Deloitte Touche Tohmatsu CPA Ltd (德勤華永會計師事務所有限公司)
	31 December 2012	Deloitte Touche Tohmatsu CPA LLP (德勤華永會計師事務所(特殊普通合夥))
Jian Gong Hospital	31 December 2010	Grant Thornton China (致同會計師事務所)
	31 December 2011	Beijing Zhonghede CPA Co., Ltd. (北京眾合德會計師事務所有限公司)
	31 December 2012	Dandun (Beijing) CPA Co., Ltd (丹頓(北京)會計師事務所有限公司)
Beijing Wanrong	31 December 2010	Grant Thornton China (致同會計師事務所)
Beijing Jiayi	31 December 2010	Grant Thornton China (致同會計師事務所)
Beijing Easylife	31 December 2010	Grant Thornton China (致同會計師事務所)

For the purpose of this report, the directors of the relevant companies have prepared the consolidated financial statements of Beijing Phoenix for the Track Record Period in accordance with the accounting policies which conform to International Financial Reporting Standards ("IFRSs") (the "Beijing Phoenix IFRS Financial Statements") and the management accounts of the Company, Unison Champ, Pinyu, Phoenix International and Star Target for the period from their respective date of incorporation or acquisition to 30 June 2013 in accordance with accounting policies which conform to IFRSs (the "IFRS Management Accounts"). We have carried out an audit on the Beijing Phoenix IFRS Financial Statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and carried out such procedures as we considered necessary on the IFRS Management Accounts for inclusion of the financial information in this Prospectus.

We have examined the Beijing Phoenix IFRS Financial Statements and the IFRS Management Accounts (collectively referred to as the "Underlying Financial Statements") in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period as set out in this report has been prepared from the Underlying Financial Statements on the basis of presentation set out in Note 2 to the Financial Information, after making adjustments as we considered necessary in preparation of this report for inclusion in the Prospectus.

The preparation of the Underlying Financial Statements are the responsibility of the directors of the relevant companies. The directors of the Company ("Directors") are responsible for the contents of the Prospectus in which this report is included. It is our responsibilities to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 2 to the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the combined state of affairs of the Group as at 31 December 2010, 2011 and 2012 and 30 June 2013 and of the Company as at 30 June 2013 and of the combined results and combined cash flows of the Group for the Track Record Period.

The comparative combined statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity of the Group for the six months ended 30 June 2012 together with the notes thereon have been extracted from the Group's unaudited combined financial information for the same period (the "30 June 2012 Financial Information") which was prepared by the Directors solely for the purpose of this report. We have reviewed the 30 June 2012 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 30 June 2012 Financial Information consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the 30 June 2012 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2012 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRSs.

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		THE GROUP				
		For the year ended 31 December			For the six months ended 30 June	
	Notes	2010	2011	2012	2012	2013
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	6	394,085	509,478	758,032	321,545	419,692
Cost of sales and services		(301,164)	(386,729)	(573,228)	(246,474)	(332,268)
Gross profit		92,921	122,749	184,804	75,071	87,424
Other income	9	2,735	8,286	37,584	16,811	27,545
Other gains and losses	10	(307)	(13)	236	236	(452)
Selling and distribution expenses		(834)	(3,426)	(6,412)	(2,157)	(4,747)
Administrative expenses		(25,663)	(29,326)	(43,500)	(17,004)	(25,107)
Finance costs	11	(2,997)	(18,858)	(24,379)	(11,131)	(11,531)
Other expenses		(823)	(694)	(1,055)	(247)	(2,971)
Profit before tax		65,032	78,718	147,278	61,579	70,161
Income tax expense	12	(16,023)	(20,217)	(36,544)	(15,215)	(17,745)
Profit and total comprehensive income for the year/period	13	49,009	58,501	110,734	46,364	52,416
Profit and total comprehensive income for the year/period attributable to:						
Equity holders of the Company		42,812	48,130	101,088	38,827	50,354
Non-controlling interests		6,197	10,371	9,646	7,537	2,062
		49,009	58,501	110,734	46,364	52,416

COMBINED STATEMENTS OF FINANCIAL POSITIONS

		THE GROUP				THE COMPANY
		As at 31 December			As at 30 June	As at 30 June
	Notes	2010	2011	2012	2013	2013
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets						
Property, plant and equipment	17	91,527	94,283	121,522	119,841	—
Intangible assets	18	108,162	155,456	323,173	316,228	—
Receivables from invest-operate-transfer ("IOT") hospitals	19	22,321	36,143	48,478	50,396	—
Deposits for acquisition of non-controlling interests		31,000	31,000	—	—	—
Deposits for acquisition of property, plant and equipment		1,249	12,930	—	—	—
Deposits paid for operating rights under IOT agreements		—	150,000	—	—	—
Lease prepayments for land use right	20	—	164,781	161,318	159,587	—
Deferred tax assets	21	230	287	1,158	2,799	—
Investment in a subsidiary	22	—	—	—	—	—
		254,489	644,880	655,649	648,851	—
Current assets						
Inventories	23	22,267	23,200	35,073	30,249	—
Trade receivables	24	20,100	23,845	83,010	110,518	—
Prepayments and other receivables	25	5,926	13,699	16,723	16,531	—
Amounts due from related parties	39	40,253	75,066	56,831	228,005	100,000
Short-term investments	26	246,600	23,000	60,450	22,000	—
Bank balances and cash	27	74,675	330,988	113,124	128,246	—
		409,821	489,798	365,211	535,549	100,000
Current liabilities						
Trade payables	28	77,638	90,131	122,251	122,144	—
Other payables	29	37,580	28,510	53,773	87,542	—
Amounts due to related parties	39	19,329	—	—	333,193	—
Amount due to a fellow subsidiary	39	—	—	—	—	1,834
Tax payables		10,288	9,645	19,465	14,999	—
Obligations under finance leases	30	—	—	1,077	1,529	—
Borrowings	31	—	200,000	5,803	6,274	—
		144,835	328,286	202,369	565,681	1,834
Net current assets (liabilities)		264,986	161,512	162,842	(30,132)	98,166

		THE GROUP				THE COMPANY
		As at 31 December			As at 30 June	As at 30 June
	Notes	2010	2011	2012	2013	2013
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets less current liabilities		519,475	806,392	818,491	618,719	98,166
Non-current liabilities						
Borrowings	31	200,000	—	227,271	225,491	—
Obligations under finance leases	30	—	—	4,904	6,265	—
Retirement benefit obligations	32	12,589	10,453	8,558	7,273	—
		212,589	10,453	240,733	239,029	—
Net assets		306,886	795,939	577,758	379,690	98,166
Capital and reserves						
Capital	34	130,580	165,580	140,580	109	109
Share premium	35	—	—	—	99,891	99,891
Reserves	35	152,681	426,199	344,676	185,126	(1,834)
Equity attributable to equity holders of the Company		283,261	591,779	485,256	285,126	98,166
Non-controlling interests		23,625	204,160	92,502	94,564	—
Total equity		306,886	795,939	577,758	379,690	98,166

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company							
	Capital	Share premium	Capital reserve	Statutory surplus reserve	Retained earnings	Subtotal	Attributable to non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000 *(note viii)*	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010 *(note i)*	99,600	—	10,464	—	6,465	116,529	17,428	133,957
Profit and total comprehensive income for the year	—	—	—	—	42,812	42,812	6,197	49,009
Capital injection by equity holders *(note ii)*	30,980	—	92,940	—	—	123,920	—	123,920
Appropriations	—	—	—	813	(813)	—	—	—
Balance at 31 December 2010	130,580	—	103,404	813	48,464	283,261	23,625	306,886
Profit and total comprehensive income for the year	—	—	—	—	48,130	48,130	10,371	58,501
Capital injection by equity holders *(note iii)*	35,000	—	225,000	—	—	260,000	—	260,000
Deemed disposal of partial interest in a subsidiary upon contributions from the non-controlling shareholder *(note iv)*	—	—	388	—	—	388	170,164	170,552
Appropriations	—	—	—	1,537	(1,537)	—	—	—
Balance at 31 December 2011	165,580	—	328,792	2,350	95,057	591,779	204,160	795,939
Profit and total comprehensive income for the year	—	—	—	—	101,088	101,088	9,646	110,734
Shares repurchase *(note v)*	(25,000)	—	(175,000)	—	—	(200,000)	—	(200,000)
Acquisition of non-controlling interests *(note vi)*	—	—	(128,915)	—	121,304	(7,611)	(121,304)	(128,915)
Appropriations	—	—	—	3,437	(3,437)	—	—	—
Balance at 31 December 2012	140,580	—	24,877	5,787	314,012	485,256	92,502	577,758
Profit and total comprehensive income for the period	—	—	—	—	50,354	50,354	2,062	52,416
Issue of shares by the Company	109	99,891	—	—	—	100,000	—	100,000
Adjustments arising from the Reorganization *(note vii)*	(140,580)	–	(209,904)	—	—	(350,484)	—	(350,484)
Balance at 30 June 2013	109	99,891	(185,027)	5,787	364,366	285,126	94,564	379,690

	Attributable to equity holders of the Company							
	Capital	Share premium	Capital reserve	Statutory surplus reserve	Retained earnings	Subtotal	Attributable to non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000 *(note viii)*	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2012 (Unaudited)								
Balance at 31 December 2011	165,580	—	328,792	2,350	95,057	591,779	204,160	795,939
Profit and total comprehensive income for the period	—	—	—	—	38,827	38,827	7,537	46,364
Shares repurchase *(note v)*	(25,000)	—	(175,000)	—	—	(200,000)	—	(200,000)
Acquisition of non-controlling interests *(note vi)*	—	—	(128,915)	—	121,304	(7,611)	(121,304)	(128,915)
Balance at 30 June 2012	140,580	—	24,877	2,350	255,188	422,995	90,393	513,388

Notes:

(i) The balance of capital reserve as at 1 January 2010 represented the aggregated capital reserves arising from the previous capital injection to Beijing Phoenix by its then shareholders.

(ii) On 12 May 2010, Beijing Phoenix's registered capital was increased to RMB130.6 million by issuance of a total of 30.98 million new shares to three then shareholders and two new independent shareholders at a total consideration of about RMB123.9 million.

(iii) On 12 May 2011, Beijing Phoenix's registered capital was increased to RMB140.6 million by issuance of a total of 10 million new shares to two new independent third parties shareholders at a total consideration of RMB60 million , and on 8 December 2011, Beijing Phoenix's registered capital was increased to RMB165.6 million by issuance of a total of 25 million new shares to another four new independent parties at a total consideration of RMB200 million.

(iv) Beijing Construction Engineering Group, the non-controlling shareholder, has made additional capital contribution, to Jian Gong Hospital in the form of land use right (See Note 20). The difference of RMB388,000 between the fair value of the land use right and the share of net assets in relation to the partial disposal of interest in subsidiary to the non-controlling shareholder which decreased the equity interest attributable to the Group from 72.80% to 52.98% in Jian Gong Hospital, is recognised in capital reserve.

(v) On 22 March 2012, Beijing Phoenix repurchased all the 25 million shares of RMB200 million held by the four new shareholders, who made capital injection on 8 December 2011 as mentioned in note (iii) above.

(vi) On 27 June 2012, Beijing Phoenix acquired 27.02% equity interest in Jian Gong Hospital from Beijing Construction Engineering Group at a total consideration of approximately RMB128.9 million. In 2010, Beijing Phoenix prepaid the amount of RMB31 million to Beijing Construction Engineering Group for the acquisition of its non-controlling interests.

(vii) From 9 April 2013 to 3 June 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 which are accounted as deemed distribution to the equity holders of the Company and recognised in the capital reserve. Upon completion of this step, the capital of the Group represented the share capital of the Company and Pinyu and the share capital of Beijing Phoenix amounted to RMB140,580,000 was transferred to capital reserve.

On 3 January 2013, Pinyu was incorporated as a limited liability company in the BVI. Pinyu issued one share to Green Talent Investments Limited ("Green Talent") at a total consideration of RMB150 million which was recognised in the capital reserve.

(viii) According to the PRC Company Law and the Articles of Association of the PRC subsidiaries of the Group, these companies are required to transfer 10% of their respective after-tax profits, calculated in accordance with the PRC accounting standards and regulations, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The statutory reserve can be utilized, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital.

COMBINED STATEMENTS OF CASH FLOWS

	THE GROUP				
	For the year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax	65,032	78,718	147,278	61,579	70,161
Adjustments for:					
Depreciation of property, plant and equipment	16,057	14,707	20,325	11,143	10,466
Amortization of lease prepayments for land use right	—	2,308	3,463	1,731	1,731
Amortization of intangible assets	1,516	3,168	12,376	6,058	6,945
Interest and investment income	(1,306)	(6,665)	(7,320)	(3,358)	(3,770)
Finance costs	2,997	18,858	24,379	11,131	11,531
Loss (gain) on disposal of property, plant and equipment, net	307	13	(236)	(236)	(18)
Foreign exchange loss	—	—	—	—	470
Operating cash flows before movements in working capital	84,603	111,107	200,265	88,048	97,516
Movements in working capital					
(Increase) decrease in inventories	(11,431)	(933)	(11,873)	(8,185)	4,824
Increase in trade receivables	(6,780)	(3,745)	(59,165)	(44,625)	(27,508)
Increase in prepayments and other receivables	(1,628)	(2,324)	(1,215)	(2,370)	(75)
(Increase) decrease in amount due from a related party	(26,302)	(34,813)	18,235	13,027	20,826
Increase (decrease) in trade payables	43,004	12,493	32,120	16,809	(107)
(Decrease) increase in other payables	(369)	1,484	15,647	27,606	441
Cash generated from operations	81,097	83,269	194,014	90,310	95,917
Income taxes paid	(11,040)	(20,917)	(27,595)	(13,788)	(23,852)
Net cash generated from operating activities	70,057	62,352	166,419	76,522	72,065

	THE GROUP				
	For the year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from investing activities					
Interest received from short-term investments	576	4,395	2,959	1,196	653
Purchase of short-term investments	(246,600)	(1,107,300)	(1,033,010)	(328,133)	(390,460)
Proceeds from disposal of short-term investments	7,000	1,330,900	995,560	269,190	428,910
Purchases of property, plant and equipment	(17,157)	(34,347)	(28,115)	(14,793)	(6,664)
Payments to contributors for operating rights under IOT agreements	(7,024)	(165,768)	—	—	—
Payments to IOT Hospitals under IOT agreements	(65,000)	(67,000)	(45,000)	(26,015)	—
Advance to a related party	—	—	—	—	(92,000)
Repayment from IOT Hospitals	—	3,000	5,126	3,800	1,466
Proceeds from disposal of property, plant and equipment	106	—	280	279	19
Net cash used in investing activities	(328,099)	(36,120)	(102,200)	(94,476)	(58,076)
Cash flows from financing activities					
Interest paid	(2,409)	(18,858)	(23,882)	(11,719)	(10,111)
Capital injection by a shareholder of Pinyu	—	—	—	—	150,000
Acquisition of equity interest of Beijing Phoenix by Star Target	—	—	—	—	(134,695)
New borrowings raised	200,000	—	233,616	—	—
Repayment of the borrowings	—	—	(200,542)	—	(2,945)
Capital injection in Beijing Phoenix	123,920	252,500	—	—	—
Deposit for capital injection in Beijing Phoenix made by a new investor	7,500	—	—	—	—
Payment for shares repurchase	—	—	(200,000)	(200,000)	—
Prepayment for acquisition of non-controlling interests	(31,000)	—	—	—	—

	THE GROUP				
	For the year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Acquisition of non-controlling interests	—	—	(90,800)	(40,000)	—
Repayment of obligations under finance leases	—	—	(475)	—	(651)
Repayment to a related party	—	(3,561)	—	—	—
Net cash generated from (used in) financing activities	298,011	230,081	(282,083)	(251,719)	1,598
Net increase (decrease) in cash and cash equivalents	39,969	256,313	(217,864)	(269,673)	15,587
Cash and cash equivalents at the beginning of the year/period	34,706	74,675	330,988	330,988	113,124
Effect of foreign exchange rate changes	—	—	—	—	(465)
Cash and cash equivalents at the end of the year/period	74,675	330,988	113,124	61,315	128,246

NOTES TO THE FINANCIAL INFORMATION

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 28 February 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 Group is mainly engaged in provision of general hospital services, provision of hospital management services, and supply chain business in Beijing, the PRC.

The Financial Information is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

2. BASIS OF PRESENTATION

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 on 6 November 2007 and was the then holding company of the companies comprising the Group before the Reorganization.

Pursuant to a series of capital injection and equity transfer arrangements from 2007 to 2012, prior to the Reorganization, 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 Reorganization involved the following steps:

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

(2) On 28 February 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 19 March 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 7 January 2013, Unison Champ was incorporated as a limited liability company in the BVI. On 13 March 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 22 March 2013, Unison Champ became the sole shareholder of Phoenix International, which was incorporated as a limited liability company in Hong Kong on 28 August 2012.

(4) On 17 April 2013, each ordinary share of the Company with nominal value HK$0.10 was sub-divided 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 total consideration of RMB100 million.

(5) From 9 April 2013 to 3 June 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 2 July 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 allotted 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 Reorganization is regarded as a continuing entity.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period and the combined statements of financial position as at 31 December 2010, 2011 and 2012 and 30 June 2013 are prepared as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation or acquisition of the relevant entity, where this is a shorter period.

3. APPLICATION OF IFRSs

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has adopted all the IFRSs which are effective for the Group's financial year beginning on 1 January 2013 consistently throughout the Track Record Period.

At the date of this report, the following new and revised IFRSs have been issued which are not yet effective. The Group has not early adopted these IFRSs.

Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[2]
IFRS 9	Financial Instruments[1]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[2]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[2]
IFRIC 21	Levies[2]

1 Effective for annual periods beginning on or after 1 January 2015.

2 Effective for annual periods beginning on or after 1 January 2014.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors anticipate that the application of IFRS 9 for annual period beginning 1 January 2015 will not have significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities based on the Group's financial instruments reported at the end of the Track Record Period.

The Directors anticipate that the application of other new and revised IFRSs will have no material impact on the Financial Information of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the following accounting policies which conform to IFRSs. These policies have been consistently applied throughout the Track Record Period. In addition, the Financial Information included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Companies Ordinance.

The Financial Information has been prepared under the historical cost basis except for certain financial instruments that are measured at fair values 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.

Basis of combination

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

(i) has power over the investee;

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

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

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

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the Track Record Period are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted as equity transaction. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the equity holders of the Company.

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

Investment in a subsidiary

Investment in a subsidiary is stated at cost less any identified impairment loss on the statements of financial position of the Company.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

(i) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

(ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(iii) the amount of revenue can be measured reliably;

(iv) it is probable that the economic benefits associated with the transaction will flow to the Group; and

(v) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income including management service income and general hospital service income is recognized when the related services are rendered and when it is probable that the economic benefits from the service rendered will flow to the Group and such benefit could be reliably measured.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment other than construction in progress as described below are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognized impairment loss. Construction in progress is classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Asset held under finance lease are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the combined statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expense are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's accounting policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Lease prepayment for land use right

Payment for obtaining land use right is accounted for as lease prepayment for land use right and is released to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificate granted for usage by the Group in the PRC and the remaining terms of the operating license of the PRC entity, whichever is the shorter. Lease prepayment for land use right which is to be released to profit or loss in the next twelve months is classified as current assets.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes which are defined contribution plans are charged as an expense when employees have rendered service entitling them to the contribution.

For defined benefit retirement plans, the cost of providing benefits is determined using the discounted cash flow method at the end of each reporting period. Past service cost is recognized to the extent of the employees' entitlement to such benefits. The retirement benefit obligation recognized in the combined statement of financial position represents the estimated benefit payable in the Group's defined benefit plan.

Intangible assets

Intangible assets representing operating rights under IOT agreements with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the combined statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting periods and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted-average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized in the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in other income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, receivables from IOT hospitals, amounts due from related parties and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

(i) it has been acquired principally for the purpose of selling in the near term; or

(ii) it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(iii) it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading (representing the short-term investments) may be designated as at FVTPL upon initial recognition if:

(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

(ii) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

(iii) it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excluded any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item in the combined statement of profit or loss and other comprehensive income. The dividend or interest earned on the financial assets is included in the "other income" line item in the combined statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 41.

Impairment of financial assets

Financial assets other than those at FVTPL are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group entities are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including borrowings, trade payables, other payables and amounts due to related parties and a fellow subsidiary are subsequently measured at amortized cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the management of the Group are required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and the future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimation, that the management of the Group have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Financial Information.

Control over the hospitals under IOT agreements

The Group entered into a series of IOT agreements with the not-for-profit hospitals and their contributors which the Group agrees to make investments to the hospitals or/and the contributors to improve the medical facilities of the hospitals in exchange for the right to manage and operate the hospital and receive performance-based management fees for periods ranging from 19 to 48 years. The operating rights are expected to be transferred back to the hospitals or their contributors after these periods.

The management assessed whether or not the Group has control over these not-for-profit hospitals through the IOT agreements (the "IOT Hospitals") based on whether the Group has the practical ability to direct the IOT Hospitals' relevant activities unilaterally. In making their judgement, the management considered the composition of the internal governance bodies and also certain committees which oversee the operations of the hospitals. After assessment, the management concluded that the Group does not obtain the decision making power under these bodies and committees to direct the relevant activities of the hospitals, so the Group does not control and thus does not consolidate those hospitals. Instead, these IOT agreements are considered as management contracts to generate management service income. Details of the IOT agreements are set out in Note 8.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months from the end of each reporting period.

Estimation of hospital management service income

The Group is entitled to management service income for the comprehensive management services provided to IOT Hospitals. Pursuant to the IOT agreements, the management service income measured by reference to certain performance indicators, which requires estimation made by management. The Group's management estimates the management service income based on the actual and anticipated future performance of each IOT Hospitals as adjusted for certain items specified under the IOT agreements.

Estimated useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write off or write down obsolete assets that have been abandoned or impaired. When the actual useful lives or recoverable amounts of property, plant and equipment differ from the original estimates, adjustment will be made and recognized in the period in which such event takes place. As at 31 December 2010, 2011 and 2012 and 30 June 2013, the carrying amount of property, plant and equipment are RMB91,527,000, RMB94,283,000, RMB121,522,000 and RMB119,841,000, respectively.

Impairment of operating rights of IOT Hospitals classified as intangible assets

If a triggering event occurs indicating that the carrying amount of an operating right may not be recoverable, an assessment of the carrying amount of that asset will be performed. Triggering events include significant adverse changes in the business or regulatory environment, or certain legal events. The interpretation and the financial effect of such events require judgement from management. Upon the occurrence of triggering events, the carrying amounts of intangible assets are reviewed to assess whether their recoverable amounts have declined below their carrying amounts. The recoverable amount is the present value of estimated net future cash flows which the Group expects to generate from the future use of the assets, plus the assets' residual value on disposal, if any. Where the recoverable amount of intangible assets is less than its carrying amount, an impairment loss is recognized to write the assets down to its recoverable amount. The carrying amounts of intangible assets are disclosed in Note 18.

Impairment of receivables from IOT Hospitals, trade receivables and other receivables

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the financial strength of the IOT Hospitals, the credit history of the customers and the current market condition. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Management reassesses the adequacy of impairment on a regular basis. Where the actual cash flows are less than expected, a material impairment loss may arise. The carrying amount of receivables from IOT Hospitals, trade receivables and other receivables are disclosed in Notes 19, 24 and 25, respectively.

Provision for medical dispute claims

The Group may be subject to legal proceedings and claims that arise in the ordinary course of business, which primarily include medical dispute claims brought by the former patients. Provision for medical dispute claims is made based on the status of potential and active claims outstanding at the end of each reporting period, and take into consideration the assessment and analysis of external lawyer and the total claim exposure. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Based on the assessment, the management believes that no material claim exposure or outstanding litigation on the medical dispute claim existed at the end of each reporting period and accordingly no provision was made. The situation is closely monitored by the management and provision will be made as appropriate. Where the actual claims are greater than expected, a material dispute claims expense may arise, which would be recognized in profit and loss for the period in which such a claim takes place.

6. REVENUE

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

An analysis of the Group's revenue during the Track Record Period is as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
General hospital services	288,412	323,987	403,109	188,566	214,692
Hospital management services	16,348	19,412	40,277	12,647	9,861
Supply chain business	89,325	166,079	314,646	120,332	195,139
	394,085	509,478	758,032	321,545	419,692

7. SEGMENT INFORMATION

The directors of Beijing Phoenix before the Reorganization and the "Executive Directors" of the Company upon completion of the Reorganization, are identified as the chief operating decision maker (the "CODM") of the Group for the purposes of resources allocation and performance assessment. The CODM reviews operating results and financial information on a company by company basis. This is also the basis upon which the Group is organized. Accordingly, each company is identified as an operating segment. When the group companies are operating in similar business model with similar target group of customers, and under the same regulatory environment, the Group's operating segments are aggregated and the Group's operating and reportable segments for segment reporting purpose are as follows:

(i) General hospital services

Revenue from this segment is derived from hospital services provided at Jian Gong Hospital and from premium healthcare services provided to high-end patients at Beijing Easylife.

(ii) Hospital management services

The Group provides comprehensive management services to hospitals under IOT agreements and receives from each IOT Hospital an annual fee.

(iii) Supply chain business

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

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

Segment revenue, results, assets and liabilities

	General hospital services	Hospital management services	Supply chain business	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2010				
External revenue	288,412	16,348	89,325	394,085
Inter-segment revenue	—	—	61,796	61,796
Segment revenue	288,412	16,348	151,121	455,881
Eliminations				(61,796)
Combined revenue				394,085
Segment results	38,628	13,869	15,532	68,029
Unallocated finance cost				(2,997)
Profit before tax				65,032
As at 31 December 2010				
Segment assets	181,542	441,656	80,885	704,083
Elimination of inter-segment receivables				(39,773)
Combined assets				664,310
Segment liabilities	87,211	50,509	59,477	197,197
Borrowings				200,000
Elimination of inter-segment payables				(39,773)
Combined liabilities				357,424
Other segment information				
Amounts included in the measure of segment results or segment assets:				
Addition to non-current assets *(Note)*	14,733	41,091	24	55,848
Depreciation and amortization	15,792	1,669	112	17,573
Loss on disposal of property, plant and equipment, net.	307	—	—	307
Interest income	(105)	(1,481)	(83)	(1,669)
Amounts regularly provided to the CODM but not included in the measure of segment results:				
Unallocated finance cost	N/A	N/A	N/A	2,997
Income tax expense	9,575	2,576	3,872	16,023

Note: Non-current assets consist of property, plant and equipment, and intangible assets.

	General hospital services	Hospital management services	Supply chain business	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2011				
External revenues	323,987	19,412	166,079	509,478
Inter-segment revenue	—	—	98,335	98,335
Segment revenue	323,987	19,412	264,414	607,813
Eliminations				(98,335)
Combined revenue				509,478
Segment results	41,164	19,264	37,148	97,576
Unallocated finance cost				(18,858)
Profit before tax				78,718
As at 31 December 2011				
Segment assets	518,185	653,921	116,206	1,288,312
Elimination of inter-segment receivables				(153,634)
Combined assets				1,134,678
Segment liabilities	78,641	137,897	75,835	292,373
Borrowings				200,000
Elimination of inter-segment payables				(153,634)
Combined liabilities				338,739
Other segment information				
Amounts included in the measure of segment results or segment assets:				
Addition to non-current assets *(Note)*	187,501	50,528	462	238,491
Depreciation and amortization	16,708	3,382	94	20,184
Loss on disposal of property, plant and equipment, net.	13	—	—	13
Interest income	(1,012)	(6,171)	(171)	(7,354)
Amounts regularly provided to the CODM but not included in the measure of segment results:				
Unallocated finance cost	N/A	N/A	N/A	18,858
Income tax expense	10,865	69	9,283	20,217

Note: Non-current assets consist of property, plant and equipment, intangible assets and lease prepayment for land use right.

	General hospital services	Hospital management services	Supply chain business	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2012				
External revenues	403,109	40,277	314,646	758,032
Inter-segment revenue	—	—	116,374	116,374
Segment revenue	403,109	40,277	431,020	874,406
Eliminations				(116,374)
Combined revenue				758,032
Segment results	40,759	26,588	102,999	170,346
Unallocated finance cost				(23,068)
Profit before tax				147,278
As at 31 December 2012				
Segment assets	607,983	491,121	217,146	1,316,250
Elimination of inter-segment receivables				(295,390)
Combined assets				1,020,860
Segment liabilities	141,095	269,640	127,757	538,492
Borrowings				200,000
Elimination of inter-segment payables				(295,390)
Combined liabilities				443,102
Other segment information				
Amounts included in the measure of segment results or segment assets:				
Addition to non-current assets *(Note)*	47,126	180,203	373	227,702
Depreciation and amortization	23,423	12,617	124	36,164
Gain on disposal of property, plant and equipment	(236)	—	—	(236)
Interest income	(1,186)	(5,147)	(1,581)	(7,914)
Segment finance cost	1,311	—	—	1,311
Amounts regularly provided to the CODM but not included in the measure of segment results:				
Unallocated finance cost	N/A	N/A	N/A	23,068
Income tax expense	10,254	436	25,854	36,544

Note: Non-current assets consist of property, plant and equipment, and intangible assets.

	General hospital services	Hospital management services	Supply chain business	Total
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)
For the six months ended 30 June 2012				
External revenues	188,566	12,647	120,332	321,545
Inter-segment revenue	—	—	54,850	54,850
Segment revenue	188,566	12,647	175,182	376,395
Eliminations				(54,850)
Combined revenue				321,545
Segment results	23,025	7,805	41,880	72,710
Unallocated finance cost				(11,131)
Profit before tax				61,579
Other segment information				
Amounts included in the measure of segment results or segment assets:				
Addition to non-current assets *(Note)*	25,594	14,425	292	40,311
Depreciation and amortization	12,696	6,176	60	18,932
Gain on disposal of property, plant and equipment, net	(236)	—	—	(236)
Interest income	(596)	(2,693)	(509)	(3,798)
Amounts regularly provided to the CODM but not included in the measure of segment results:				
Unallocated finance cost	N/A	N/A	N/A	11,131
Income tax expense (credit)	5,760	(1,038)	10,493	15,215

Note: Non-current assets consist of property, plant and equipment, and intangible assets.

	General hospital services	Hospital management services	Supply chain business	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2013				
External revenues	214,692	9,861	195,139	419,692
Inter-segment revenue	—	—	53,165	53,165
Segment revenue	214,692	9,861	248,304	472,857
Eliminations				(53,165)
Combined revenue				419,692
Segment results	16,334	2,503	64,165	83,002
Unallocated finance cost				(9,500)
Unallocated expenses				(3,341)
Profit before tax				70,161
As at 30 June 2013				
Segment assets	601,800	618,754	261,484	1,482,038
Elimination of inter-segment receivables				(297,638)
Combined assets				1,184,400
Segment liabilities	122,668	655,678	124,002	902,348
Borrowings				200,000
Elimination of inter-segment payables				(297,638)
Combined liabilities				804,710
Other segment information				
Amounts included in the measure of segment results or segment assets:				
Addition to non-current assets *(Note)*	8,641	41	104	8,786
Depreciation and amortization	11,991	7,066	85	19,142
Gain on disposal of property, plant and equipment, net	(18)	—	—	(18)
Interest income	(365)	(3,237)	(405)	(4,007)
Segment finance cost	2,031	—	—	2,031
Amounts regularly provided to the CODM but not included in the measure of segment results:				
Unallocated finance cost	N/A	N/A	N/A	9,500
Income tax expense (credit)	4,089	(2,416)	16,072	17,745

Note: Non-current assets consist of property, plant and equipment, and intangible assets.

Segment revenue reported above represents revenue generated from both external and inter-segment customers. During the Track Record Period, the inter-segment transactions are charged at regulated price for the sales of pharmaceutical, medical devices and consumables.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment results represent the profit before tax earned by each segment, without allocation of certain finance cost and corporate expenses not directly related to the respective segment, which represents the internally generated financial information regularly reviewed by the CODM. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments; and all liabilities are allocated to operating segments other than borrowings.

Income tax expenses have been allocated among the segments as additional information regularly provided to the management but not included in the measure of segment result while the relevant tax payables have been allocated into the segment liabilities.

Geographical information

No geographical information is presented as all of the Group's revenue is derived from activities in the PRC, and all of the Group's operations and non-current assets are located in the PRC.

Information about major customers

Revenue from the customers, including revenue from hospital management services and supply chain business (details of the major customers' revenue by segment are disclosed in Note 8) contributing over 10% of the total revenue of the Group during the Track Record Period is as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Beijing Yan Hua Hospital ("Yan Hua Hospital")	105,285	176,223	193,243	76,940	83,472
Beijing Jing Mei Hospital Group ("Jing Mei Hospital")	N/A*	N/A*	122,245	41,329	82,564

* Jing Mei Hospital did not contribute over 10% of the total revenue of the Group for the years ended 31 December 2010 and 2011.

8. IOT ARRANGEMENTS

The Group entered into IOT agreements with the contributors of IOT Hospitals, including Yan Hua Hospital, Jing Mei Hospital, Beijing Mentougou Hospital ("Mentougou Hospital") and Beijing Mentougou Traditional Chinese Medicine Hospital ("Mentougou TCM Hospital"). Pursuant to the IOT agreements, the Group paid (i) investment amounts to the IOT Hospitals that will be repaid back to the Group (the "Repayable Investment Amounts") or (ii) investment amounts to the contributors of the IOT Hospitals that will not be returned to the Group in return for the operating rights of the IOT Hospitals over periods ranging from 19 to 48 years, subject to other conditions set out in the IOT agreements. Under the IOT agreements, the Group operates and provides management services to the IOT Hospitals and derives management fee based on pre-set formulas set out in the IOT agreements.

(i) The amount of management fee received/receivable by the Group and revenue derived from supply chain business to the IOT Hospitals during the Track Record Period are as follows:

For the year ended 31 December 2010

	Hospital management services	Supply chain business	Total
	RMB'000	RMB'000	RMB'000
Yan Hua Hospital	16,348	88,937	105,285

For the year ended 31 December 2011

	Hospital management services	Supply chain business	Total
	RMB'000	RMB'000	RMB'000
Yan Hua Hospital	17,995	158,228	176,223
Mentougou Hospital	1,417	7,759	9,176
Jing Mei Hospital	—	92	92
	19,412	166,079	185,491

For the year ended 31 December 2012

	Hospital management services	Supply chain business	Total
	RMB'000	RMB'000	RMB'000
Yan Hua Hospital	22,626	170,617	193,243
Mentougou Hospital	5,438	31,803	37,241
Jing Mei Hospital	12,213	110,032	122,245
Mentougou TCM Hospital	—	2,194	2,194
	40,277	314,646	354,923

For the six months ended 30 June 2012 (unaudited)

	Hospital management services	Supply chain business	Total
	RMB'000	RMB'000	RMB'000
Yan Hua Hospital	6,357	70,583	76,940
Mentougou Hospital	972	13,738	14,710
Jing Mei Hospital	5,318	36,011	41,329
	12,647	120,332	132,979

For the six months ended 30 June 2013

	Hospital management services	Supply chain business	Total
	RMB'000	RMB'000	RMB'000
Yan Hua Hospital	1,865	81,607	83,472
Mentougou Hospital	2,417	29,660	32,077
Jing Mei Hospital	5,579	76,985	82,564
Mentougou TCM Hospital	—	6,630	6,630
	9,861	194,882	204,743

(ii) The amount of trade receivables with the IOT Hospitals and receivables from IOT Hospitals at the end of each reporting period are as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables:				
Yan Hua Hospital	40,253	75,066	56,831	36,005
Mentougou Hospital	—	3,534	13,547	27,029
Jing Mei Hospital	—	92	40,786	35,157
Mentougou TCM Hospital	—	—	1,630	4,334
	40,253	78,692	112,794	102,525

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Receivables from the IOT Hospitals:				
Yan Hua Hospital	—	11,916	16,133	17,008
Mentougou Hospital	25,147	29,039	27,842	29,450
Mentougou TCM Hospital	—	—	11,123	10,291
	25,147	40,955	55,098	56,749
Less: current portion included in prepayments and other receivables *(Note 25)*	(2,826)	(4,812)	(6,620)	(6,353)
Non-current portion *(Note 19)*	22,321	36,143	48,478	50,396

(iii) The carrying amount of operating rights, classified as intangible assets (Note 18) at the end of each reporting period are as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Yan Hua Hospital	67,579	110,998	124,281	122,822
Mentougou Hospital	40,583	44,458	42,775	41,620
Jing Mei Hospital	—	—	142,110	138,165
Mentougou TCM Hospital	—	—	14,007	13,621
	108,162	155,456	323,173	316,228

(iv) The amount due to IOT Hospitals, included in amounts due to related parties, at the end of each reporting period are as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Yan Hua Hospital	3,561	—	—	—

(v) Details of the IOT agreements

Yan Hua Hospital

On 1 February 2008, the Group entered into an IOT arrangement with Yan Hua Phoenix Healthcare Asset Management Co., Ltd (北京燕化鳳凰醫療資產管理有限公司) ("Yan Hua Phoenix") through a series of agreements and supplementary agreements, ("Yan Hua IOT Agreements") and obtained the operating right of Yan Hua Hospital with a period of 48 years from 2008 to 2055. Pursuant to the Yan Hua IOT Agreements, the Group made (i) investment amounts to the contributor amounting to RMB72 million in 2008, and (ii) Repayable Investment Amounts to Yan Hua Hospital amounting to RMB57 million and RMB20 million in 2011 and 2012, respectively, under the total commitment of the Repayable Investment Amounts of RMB150 million, which will be repaid to the Group in equal annual installments during the tenure of the IOT arrangement.

Mentougou Hospital

On 30 July 2010, the Group entered into an IOT agreement with Mentougou District government of Beijing (北京市門頭溝區政府), which is the contributor of Mentougou Hospital and obtained the operating right of Mentougou Hospital with a period of 20 years from 2011 to 2030. Under the IOT agreement, the Group made Repayable Investment Amounts to Mentougou Hospital amounting to RMB65 million and RMB10 million in 2010 and 2011, respectively, which will be repaid to the Group in equal annual installments during the tenure of the IOT arrangement.

Jing Mei Hospital

In May 2011 and September 2012, the Group entered into an IOT agreement and supplementary agreements with Jing Mei Group Co., Ltd (北京京煤集團有限責任公司) which is the contributor of Jing Mei Hospital, and obtained the operating right of Jing Mei Hospital with a period of 19 years from 2012 to 2030. Under the IOT agreement, the Group made an investment amount of RMB150 million to the contributor.

Mentougou TCM Hospital

On 6 June 2012, the Group entered into an IOT agreement with Mentougou District government of Beijing (北京市門頭溝區政府), which is the contributor of Mentougou TCM Hospital with a period of 19 years from 2012 to 2030. Under the IOT agreement, the Group made Repayable Investment Amounts of RMB25 million to Mentougou TCM Hospital in 2012, which will be repaid to the Group in equal annual installments during the tenure of the IOT arrangement.

9. OTHER INCOME

	For the year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fee income from suppliers *(Note)*	—	—	28,389	12,483	23,028
Interest and investment income on:					
bank deposits	363	689	594	440	237
short-term investments	576	4,395	2,959	1,196	653
receivables from IOT Hospitals	730	2,270	4,361	2,162	3,117
Government grant	374	155	150	—	—
Others	692	777	1,131	530	510
	2,735	8,286	37,584	16,811	27,545

Note: On 10 January 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 for one year on 27 December 2012 and additional renewed agreement was signed on 22 October 2013. 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.

10. OTHER GAINS AND LOSSES

	For the year ended 31 December			For the six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
(Loss)/gain and write-off on disposal of property, plant and equipment	(307)	(13)	236	236	18
Foreign exchange loss	—	—	—	—	(470)
	(307)	(13)	236	236	(452)

11. FINANCE COSTS

	For the year ended 31 December			For the six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Interests on borrowings					
wholly repayable within five years	1,869	11,761	13,046	5,299	11,136
not wholly repayable within five years	—	—	837	—	—
Guarantee fee for borrowings	1,128	7,097	10,022	5,832	—
Interest on finance leases	—	—	474	—	395
	2,997	18,858	24,379	11,131	11,531

12. INCOME TAX EXPENSE

Income tax expense recognized in profit or loss:

	For the year ended 31 December			For the six months ended 30 June	
	2010	**2011**	**2012**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Current tax:					
PRC enterprise income tax ("EIT")	16,003	20,274	37,415	15,966	19,386
Deferred tax *(Note 21)*	20	(57)	(871)	(751)	(1,641)
Total income tax recognized in profit or loss	16,023	20,217	36,544	15,215	17,745

The PRC subsidiaries of the Group are subject to EIT at 25% for the Track Record Period.

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 the Track Record Period.

The tax charge for the Track Record Period can be reconciled to the profit before tax per the combined statement of profit or loss and other comprehensive income as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before tax	65,032	78,718	147,278	61,579	70,161
Tax calculated at statutory tax rates of 25%	16,258	19,680	36,820	15,394	17,540
Tax effect of expenses not deductible for tax purposes	228	692	64	23	424
Others	(463)	(155)	(340)	(202)	(219)
Income tax expense	16,023	20,217	36,544	15,215	17,745

13. PROFIT FOR THE YEAR/PERIOD

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

	For the year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation of property, plant and equipment	16,057	14,707	20,325	11,143	10,466
Amortization of lease prepayment for land use right	—	2,308	3,463	1,731	1,731
Amortization of intangible assets (included in cost of sales and services)	1,516	3,168	12,376	6,058	6,945
Total depreciation and amortization	17,573	20,183	36,164	18,932	19,142
Cost of inventories recognized as expense	235,281	309,308	437,209	196,517	275,759
Operating lease rentals in respect of rented premises	614	504	703	307	1,332
Directors' emoluments *(Note 14)*	531	3,294	4,532	2,068	2,854
Other staff cost					
Salaries and other allowances	50,269	61,277	77,802	33,571	41,955
Retirement benefit contributions	3,433	3,828	4,796	2,072	2,573
Total staff costs	54,233	68,399	87,130	37,711	47,382
Auditor's remuneration	256	503	1,015	211	665
Expenses in relation to the Listing (included in other expenses)	—	—	—	—	1,834

14. EMOLUMENTS OF DIRECTORS

The Directors' emoluments for the Track Record Period are as follows:

	For the year ended 31 December 2010			
	Directors' fee	Salaries and allowances	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:				
Mr. Liang Hongze (梁洪澤先生)	—	158	12	170
Ms. Xu Jie (徐捷女士)	—	227	12	239
Mr. Zhang Liang (張亮先生)	—	—	—	—
Mr. Xu Zechang (徐澤昌先生)	—	—	—	—
Mr. Jiang Tianfan (江天帆先生)	—	110	12	122
Non-executive Directors:				
Mr. Yang Huisheng (楊輝生先生)	—	—	—	—
Mr. Zhu Zhongyuan (朱忠遠先生)	—	—	—	—
Independent non-executive Directors:				
Mr. Kwong Kwok Kong (鄺國光先生)	—	—	—	—
Ms. Cheng Hong (程紅女士)	—	—	—	—
Mr. Wang Bing (王冰先生)	—	—	—	—
Mr. Sun Jianhua (孫建華先生)	—	—	—	—
	—	495	36	531

	For the year ended 31 December 2011			
	Directors' fee	Salaries and allowances	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:				
Mr. Liang Hongze (梁洪澤先生)	—	235	13	248
Ms. Xu Jie (徐捷女士)	—	2,885	13	2,898
Mr. Zhang Liang (張亮先生)	—	—	—	—
Mr. Xu Zechang (徐澤昌先生)	—	—	—	—
Mr. Jiang Tianfan (江天帆先生)	—	135	13	148
Non-executive Directors:				
Mr. Yang Huisheng (楊輝生先生)	—	—	—	—
Mr. Zhu Zhongyuan (朱忠遠先生)	—	—	—	—
Independent non-executive Directors:				
Mr. Kwong Kwok Kong (鄺國光先生)	—	—	—	—
Ms. Cheng Hong (程紅女士)	—	—	—	—
Mr. Wang Bing (王冰先生)	—	—	—	—
Mr. Sun Jianhua (孫建華先生)	—	—	—	—
	—	3,255	39	3,294

	For the year ended 31 December 2012			
	Directors' fee	Salaries and allowances	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:				
Mr. Liang Hongze (梁洪澤先生)	—	357	14	371
Ms. Xu Jie (徐捷女士)	—	3,946	14	3,960
Mr. Zhang Liang (張亮先生)	—	—	—	—
Mr. Xu Zechang (徐澤昌先生)	—	—	—	—
Mr. Jiang Tianfan (江天帆先生)	—	187	14	201
Non-executive Directors:				
Mr. Yang Huisheng (楊輝生先生)	—	—	—	—
Mr. Zhu Zhongyuan (朱忠遠先生)	—	—	—	—
Independent non-executive Directors:				
Mr. Kwong Kwok Kong (鄺國光先生)	—	—	—	—
Ms. Cheng Hong (程紅女士)	—	—	—	—
Mr. Wang Bing (王冰先生)	—	—	—	—
Mr. Sun Jianhua (孫建華先生)	—	—	—	—
	—	4,490	42	4,532

	For the six months ended 30 June 2012 (unaudited)			
	Directors' fee	Salaries and allowances	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:				
Mr. Liang Hongze (梁洪澤先生)	—	120	7	127
Ms. Xu Jie (徐捷女士)	—	1,867	7	1,874
Mr. Zhang Liang (張亮先生)	—	—	—	—
Mr. Xu Zechang (徐澤昌先生)	—	—	—	—
Mr. Jiang Tianfan (江天帆先生)	—	60	7	67
Non-executive Directors:				
Mr. Yang Huisheng (楊輝生先生)	—	—	—	—
Mr. Zhu Zhongyuan (朱忠遠先生)	—	—	—	—
Independent non-executive Directors:				
Mr. Kwong Kwok Kong (鄺國光先生)	—	—	—	—
Ms. Cheng Hong (程紅女士)	—	—	—	—
Mr. Wang Bing (王冰先生)	—	—	—	—
Mr. Sun Jianhua (孫建華先生)	—	—	—	—
	—	2,047	21	2,068

	For the six months ended 30 June 2013			
	Directors' fee	Salaries and allowances	Retirement benefit scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors:				
Mr. Liang Hongze (梁洪澤先生)	—	320	8	328
Ms. Xu Jie (徐捷女士)	—	2,070	8	2,078
Mr. Zhang Liang (張亮先生)	—	240	—	240
Mr. Xu Zechang (徐澤昌先生)	—	—	—	—
Mr. Jiang Tianfan (江天帆先生)	—	200	8	208
Non-executive Directors:				
Mr. Yang Huisheng (楊輝生先生)	—	—	—	—
Mr. Zhu Zhongyuan (朱忠遠先生)	—	—	—	—
Independent non-executive Directors:				
Mr. Kwong Kwok Kong (鄺國光先生)	—	—	—	—
Ms. Cheng Hong (程紅女士)	—	—	—	—
Mr. Wang Bing (王冰先生)	—	—	—	—
Mr. Sun Jianhua (孫建華先生)	—	—	—	—
	—	2,830	24	2,854

Note: Mr. Liang Hongze is also the chief executive of the Group and his emoluments disclosed above include those for services rendered by him as the chief executive.

On 28 February 2013, Mr. Liang Hongze and Mr. Jiang Tianfan were appointed as the directors of the Company. The other members will be appointed before Listing. The salaries and allowances of Mr. Xu Zechang of RMB180,000, RMB180,000, RMB280,000, RMB90,000 (unaudited) and RMB189,000 was paid by Yan Hua Hospital for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013, respectively.

During the Track Record Period, no directors waived or agreed to waive any emoluments, and no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

Of the five individuals with the highest emoluments in the Group, one was the director of the Company for the years ended 31 December 2010, 2011 and 2012, and the six months ended 30 June 2012, and two were directors of the company for the six months ended 30 June 2013 whose emoluments are included in the disclosures above. The emoluments of the remaining individuals for the Track Record Period were as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and allowances	999	1,223	1,640	706	796
Contributions to retirement benefits schemes	18	39	31	43	49
	1,017	1,262	1,671	749	845

The number of highest paid employees whose remuneration fell within the following band is as follows:

	For the year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
HK$ nil to HK$1,000,000	4	4	4	4	3

15. EARNINGS PER SHARE

No earnings per share information is presented as such information is not meaningful having regard to the purpose of this report and the result of the group during the Track Record Period are presented on combined basis as set out in Note 2.

16. DIVIDENDS

No dividend has been paid or declared by any group entities during the Track Record Period.

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold Improvement	Medical equipment	Motor vehicles	Office equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2010	70,945	13,573	64,990	2,577	4,229	2,400	158,714
Additions	—	—	6,351	453	975	7,486	15,265
Transfer	—	4,837	—	—	—	(4,837)	—
Disposals	(468)	—	(2,382)	(1)	(489)	—	(3,340)
At 31 December 2010	70,477	18,410	68,959	3,029	4,715	5,049	170,639
Additions	—	—	7,783	365	2,263	7,065	17,476
Transfer	—	3,055	—	—	—	(3,055)	—
Disposals	—	—	(3,064)	—	(82)	—	(3,146)
At 31 December 2011	70,477	21,465	73,678	3,394	6,896	9,059	184,969
Additions	—	—	39,833	405	2,306	5,065	47,609
Transfer	—	9,943	—	—	—	(9,943)	—
Disposals	—	—	(6,192)	(867)	(221)	—	(7,280)
At 31 December 2012	70,477	31,408	107,319	2,932	8,981	4,181	225,298
Additions	—	—	7,758	—	404	624	8,786
Transfer	—	—	11	—	—	(11)	—
Disposals/write-off	—	—	(12,720)	(1)	(1,586)	—	(14,307)
At 30 June 2013	70,477	31,408	102,368	2,931	7,799	4,794	219,777
ACCUMULATED DEPRECIATION							
At 1 January 2010	20,380	967	40,097	2,155	2,383	—	65,982
Charge for the year	4,423	1,484	9,235	162	753	—	16,057
Eliminated on disposals	(141)	—	(2,375)	(1)	(410)	—	(2,927)
At 31 December 2010	24,662	2,451	46,957	2,316	2,726	—	79,112
Charge for the year	3,838	1,844	7,987	187	851	—	14,707
Eliminated on disposals	—	—	(3,052)	—	(81)	—	(3,133)
At 31 December 2011	28,500	4,295	51,892	2,503	3,496	—	90,686
Charge for the year	4,712	2,512	11,811	264	1,026	—	20,325
Eliminated on disposals	—	—	(6,179)	(867)	(189)	—	(7,235)
At 31 December 2012	33,212	6,807	57,524	1,900	4,333	—	103,776
Charge for the period	1,997	1,496	6,155	153	665	—	10,466
Eliminated on disposals/write-off	—	—	(12,719)	(1)	(1,586)	—	(14,306)
At 30 June 2013	35,209	8,303	50,960	2,052	3,412	—	99,936
CARRYING AMOUNT							
At 31 December 2010	45,815	15,959	22,002	713	1,989	5,049	91,527
At 31 December 2011	41,977	17,170	21,786	891	3,400	9,059	94,283
At 31 December 2012	37,265	24,601	49,795	1,032	4,648	4,181	121,522
At 30 June 2013	35,268	23,105	51,408	879	4,387	4,794	119,841

Buildings are located in the PRC on a medium-term land use right, which was contributed to Jian Gong Hospital by a non-controlling shareholder in May 2011 (see Note 20).

The above items of property, plant and equipment other than construction in progress are depreciated over their useful lives, after taking into account the estimated residual value, on a straight-line basis:

Buildings	20 years
Leasehold improvement	5 – 10 years
Medical equipment	5 – 8 years
Motor vehicles	5 years
Office equipment	3 – 5 years

As at 31 December 2012 and 30 June 2013, the carrying amount of medical equipment of RMB6,204,000 and RMB7,764,000 respectively held under finance lease are pledged to secure the lease payments of the Group (see Note 30).

As at 31 December 2012 and 30 June 2013, the carrying amount of medical equipment of RMB26,765,000 and RMB22,667,000 respectively were pledged to secure a borrowing granted to the Group (see Note 31).

The following is an analysis of the cost of plant, property and equipment which was fully depreciated but still in use at end of each reporting period.

	COST
	RMB'000
At 31 December 2010	28,701
At 31 December 2011	33,417
At 31 December 2012	41,261
At 30 June 2013	35,073

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the carrying amounts of buildings without ownership certificates were approximately RMB21,312,000, RMB18,914,000, RMB26,373,000 and RMB25,965,000, respectively.

18. INTANGIBLE ASSETS

The intangible assets of the Group represent operating rights under IOT agreements. The intangible assets have finite useful lives, and are amortized on a straight-line basis over the operating period set out in the IOT agreements which ranged from 19 to 48 years. Details of the operating rights under IOT agreements are disclosed in Note 8.

	For the year ended 31 December			For the six months ended 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At beginning of the year/period	72,000	112,583	163,045	343,138
Additions:				
Payments made to contributors	—	—	150,000	—
Differences between the Repayable Investment Amounts made to IOT Hospitals and the fair value of the Repayable Investment Amounts upon initial recognition *(Note)*	40,583	50,462	30,093	—
At the end of the year/period	112,583	163,045	343,138	343,138
Accumulated amortization:				
At beginning of the year/period	(2,905)	(4,421)	(7,589)	(19,965)
Charge for the year/period	(1,516)	(3,168)	(12,376)	(6,945)
At the end of the year/period	(4,421)	(7,589)	(19,965)	(26,910)
Carrying amount at the end of the year/period	108,162	155,456	323,173	316,228

Note: Since the Repayable Investment Amounts are part of the respective IOT arrangements which the Group has been granted the operating rights of the IOT Hospitals in return, the differences between the Repayable Investment Amounts to the IOT Hospitals and the fair value of the Repayable Investment Amounts determined upon initial recognition are therefore accounted for as part of the IOT operating rights classified as intangible assets, which subject to amortization charges to the cost of sales and services in the combined statements of profit or loss and other comprehensive income over the operating period of the respective IOT arrangements.

19. RECEIVABLES FROM IOT HOSPITALS

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Receivables from the IOT Hospitals	25,147	40,955	55,098	56,749
Less: current portion included in prepayments and other receivables *(Note 25)*	(2,826)	(4,812)	(6,620)	(6,353)
Non-current portion	22,321	36,143	48,478	50,396

Pursuant to the IOT agreements and arrangements as disclosed in Note 8, the Group made the Repayable Investment Amounts to the IOT Hospitals in return for the operating rights of the IOT Hospitals over a tenure ranging from 19 to 48 years. These Repayable Investment Amounts are interest free and will be repaid to the Group in equal annual installments during the tenure of the IOT arrangements. The carrying amount of these interest free Repayable Investment Amounts made by the Group to IOT Hospitals that will be repaid back to the Group is recorded as Receivables from IOT Hospitals and was measured at fair value upon initial recognition and subsequently carried at amortized cost using the effective interest method by the management of the Group with effective interest rate at 11% per annum over the operating period of the respective IOT arrangements.

Details of the Repayable Investment Amounts made to each of the IOT Hospitals are set out in Note 8.

20. LEASE PREPAYMENTS FOR LAND USE RIGHT

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At beginning of the year/period	—	—	170,552	170,552
Addition	—	170,552	—	—
At the end of the year/period	—	170,552	170,552	170,552
Accumulated amortization:				
At beginning of the year/period	—	—	(2,308)	(5,771)
Charge for the year/period	—	(2,308)	(3,463)	(1,731)
At the end of the year/period	—	(2,308)	(5,771)	(7,502)
Carrying amount at the end of the year/period	—	168,244	164,781	163,050

Analyze for reporting purpose as:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Current portion included in prepayments and other receivables *(Note 25)*	—	3,463	3,463	3,463
Non-current portion	—	164,781	161,318	159,587
	—	168,244	164,781	163,050

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

21. DEFERRED TAX ASSETS

The movements of the Group's deferred tax assets during the Track Record Period are as follows:

	Accrued expenses	Tax losses	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2010	250	—	250
Charge to profit or loss	(20)	—	(20)
At 31 December 2010	230	—	230
Credit to profit or loss	57	—	57
At 31 December 2011	287	—	287
Credit to profit or loss	871	—	871
At 31 December 2012	1,158	—	1,158
(Charge) Credit to profit or loss	(477)	2,118	1,641
At 30 June 2013	681	2,118	2,799

At 30 June 2013, the Group has unused tax loss of RMB8,472,000 available for offset against future profits of which deferred tax assets have been recognised.

22. INVESTMENT IN A SUBSIDIARY

	The Company
	As at 30 June 2013
	RMB'000
Unlisted share, at cost	—

Investment cost represents the investment cost in Unison Champ of US$1.

23. INVENTORIES

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Pharmaceuticals	19,606	19,884	30,936	24,577
Medical devices and consumables	2,661	3,316	4,137	5,672
	22,267	23,200	35,073	30,249

24. 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 program, 60 days to 120 days for the sales of pharmaceutical, medical devices and consumables to the IOT Hospitals, 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 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Unbilled or within 60 days	20,100	20,219	64,907	92,654
61 to 180 days	—	3,626	18,103	17,864
	20,100	23,845	83,010	110,518

Trade receivables disclosed above were neither past due nor impaired. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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. The Group's exposure to the concentration of credit risk is disclosed in Note 41.

25. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Current portion of receivables from IOT Hospitals	2,826	4,812	6,620	6,353
Current portion of lease prepayment for land use right	—	3,463	3,463	3,463
Prepaid value-added tax	2,487	3,495	4,955	5,636
Others	613	1,929	1,685	1,079
	5,926	13,699	16,723	16,531

26. SHORT-TERM INVESTMENTS

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Group's short-term investments mainly represent investments in financial products operated by banks, with expected annual return ranging from 1.65% to 4.2% p.a. which have been designated at fair value through profit or loss. The short-term investments as at 31 December 2010, 2011 and 2012 and 30 June 2013 were matured in January and February 2011, January to March 2012, January 2013 and July 2013, respectively.

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 the Track Record Period.

27. BANK BALANCES AND CASH

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances denominated in:				
– RMB	74,675	330,988	113,124	112,730
– USD	—	—	—	15,516
	74,675	330,988	113,124	128,246

Bank balances carried interest at market rates which range from 0.36% to 0.50% p.a. over the Track Record Period.

The bank balances denominated in RMB were deposited with banks in the PRC and the conversion of such balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

28. TRADE PAYABLES

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

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 60 days	68,666	67,508	105,069	100,048
61-180 days	7,405	16,371	16,844	19,596
181 days-1 year	933	2,832	278	2,500
1-2 years	634	3,420	60	—
	77,638	90,131	122,251	122,144

29. OTHER PAYABLES

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Staff cost payables	10,326	13,146	18,837	15,053
Deposits from suppliers	—	—	12,350	14,650
Deposits for capital injection from a new investor in Beijing Phoenix	7,500	—	—	—
Payable for acquisition of the non-controlling interests *(Note i)*	—	—	7,115	7,115
Deposits from patients	4,078	3,624	4,571	6,547
Other PRC tax payable	2,822	2,419	3,412	3,611
Payable for purchase of property, plant and equipment	6,885	1,696	2,279	2,332
Retirement benefit obligations *(Note 32)*	1,539	2,136	1,895	1,878
Interest payable	588	588	611	—
Payable for acquisition of equity interest in Beijing Phoenix *(Note ii)*	—	—	—	32,594
Others	3,842	4,901	2,703	3,762
	37,580	28,510	53,773	87,542

Note i: The amount represents the payable due to the non-controlling shareholder for the acquisition of the non-controlling interests on 27 June 2012. The balance is unsecured, non-interest-bearing, and repayable on demand.

Note ii: From 9 April 2013 to 3 June 2013, the Company through Phoenix International and Star Target acquired 100% equity interest in Beijing Phoenix from its then shareholders as mentioned in note 2.

The amount represents the payable due to the those shareholders, who are not the shareholders of the Company, which were fully settled by the Group in July 2013.

30. OBLIGATION UNDER FINANCE LEASES

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Analysis for reporting purpose as				
Current portion	—	—	1,077	1,529
Non-current portion	—	—	4,904	6,265
	—	—	5,981	7,794

The Group has leased certain of its medical equipment under finance lease. All of the lease term is 6 years. Interest rate underlying all obligations under finance leases is fixed at respective contract dates ranging from 10.64% per annum ("p.a.") to 10.94% p.a. and 10.64% p.a. to 11.29% p.a. as at 31 December 2012 and 30 June 2013, respectively. The rights to the leased assets are reverted the lessor in the event of default of the lease obligations by the Group. All these finance lease contracts were early terminated on 19 August 2013, and the remaining balance of all obligations under finance leases as at 30 June 2013 were fully settled on the same date.

	Minimum lease payments				Present value of minimum lease payments			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2010	2011	2012	2013	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	—	—	1,151	1,636	—	—	1,077	1,529
In more than one year but not more than two years	—	—	1,307	1,845	—	—	1,100	1,549
In more than two year but not more than five years	—	—	4,855	6,792	—	—	3,299	4,555
In more than five years	—	—	1,114	560	—	—	505	161
Subtotal			8,427	10,833	—	—	5,981	7,794
Less: future finance charges	—	—	(2,446)	(3,039)				
Present value of minimum lease payments	—	—	5,981	7,794				

31. BORROWINGS

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Secured borrowings, fixed rate	200,000	200,000	233,074	231,765
Carrying amount repayable:				
Within one year	—	200,000	5,803	6,274
More than one year, but not exceeding two years	200,000	—	206,173	206,604
More than two year, but not exceeding five years	—	—	19,770	18,887
More than five years	—	—	1,328	—
	200,000	200,000	233,074	231,765
Less: amounts due within one year shown under current liability	—	(200,000)	(5,803)	(6,274)
Amount due after one year	200,000	—	227,271	225,491

The effective interest rates, which are also equal to contracted interest rates, per annum at the respective reporting dates, are as follows:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	%	%	%	%
Effective interest rate	5.800	5.800	9.850	9.850

As at 31 December 2010 and 2011, the balance represented borrowing from Jilin Trust Co., Ltd (吉林信託有限責任公司) which was guaranteed by CITIC Trust Co., Ltd (中信信託有限責任公司) ("CITIC Trust"), with the guarantee fee at 3.5% p.a. and 6% p.a. of the principal amount, respectively. The borrowing was fully settled in October 2012.

As at 31 December 2012 and 30 June 2013, the borrowing from CITIC Trust of RMB200,000,000 was secured by 53.51% equity interest in Jian Gong Hospital.

As at 31 December 2012 and 30 June 2013, the remaining balance of the borrowing of RMB33,074,000 and RMB31,765,000 from China Hua Rong Financial Leasing Co., Ltd (華融金融租賃股份有限公司) ("Hua Rong") which was secured by the medical equipment of the Group with carrying amount of RMB26,765,000 and RMB22,667,000 at 31 December 2012 and 30 June 2013 respectively. In 2012, the Group entered into a sale and leaseback transaction with Hua Rong on certain medical equipment with sale proceeds of RMB33,616,000. In accordance with the lease agreement, the term of the lease is 6 years and the Group has the option to purchase the assets at a nominal consideration at the end of the lease term. The effective interest rate underlying the borrowing is at 8.96% p.a.. The arrangement does not in substance involve a lease and the proceeds are recognized as collateralized borrowings. On 19 August 2013, the lease agreement was early terminated, and the remaining balance of the borrowing as at 30 June 2013 was fully settled on the same date.

32. RETIREMENT BENEFIT OBLIGATIONS

32.1 Defined contribution plans

The PRC employees of the Group are members of a state-managed retirement benefit plan operated by the government of the PRC. The PRC subsidiaries of the Company are required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the employee benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. The retirement benefit cost charged to profit or loss for the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2012 and 2013 amounts to RMB3,469,000, RMB3,867,000, RMB4,838,000, RMB2,093,000 (unaudited) and RMB2,597,000, respectively.

32.2 Defined benefit plans

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Total estimated benefit payable to retired staffs	14,128	12,589	10,453	9,151
Less: Amounts due within one year included in other payable *(Note 29)*	(1,539)	(2,136)	(1,895)	(1,878)
Amounts due after 12 months	12,589	10,453	8,558	7,273

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

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

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

	As at 31 December			As at 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Discount rate	3.85%	3.85%	3.85%	3.85%
Expected rate of the average per capital disposable income growth	4.50%	4.50%	4.50%	4.50%
Average longevity at retirement age for current pensioners	84	85	87	87

Movement in the present value of the defined benefit obligation during the Track Record Period were as follows:

	For the year ended 31 December			For the six months ended 30 June
	2010	**2011**	**2012**	**2013**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
At beginning of the year/period	15,253	14,128	12,589	10,453
Benefit paid	(1,125)	(1,539)	(2,136)	(1,302)
At the end of the year/period	14,128	12,589	10,453	9,151

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

If the discount rate is higher (lower) by 1%, the defined benefit obligation would decrease (increase) by RMB712,000 (RMB774,000), RMB640,000 (RMB817,000), RMB447,000 (RMB934,000) and RMB273,000 (RMB1,040,000) for the years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2013, respectively;

If the expected average per capital disposable income growth increases (decreases) by 1%, the defined benefit obligation would decrease (increase) by RMB322,000 (RMB301,000), RMB379,000 (RMB244,000), RMB535,000 (RMB88,000) and RMB626,000 (RMB30,000) for the years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2013, respectively;

If the average longevity at retirement age for current pensioners increases (decreases) by one year for retirees, the defined benefit obligation would increase (decrease) by RMB1,533,000 (RMB1,394,000), RMB1,947,000 (RMB1,336,000), RMB2,601,000 (RMB890,000) and RMB2,351,000 (RMB698,000) for the years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2013, respectively;

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

As at 31 December 2010, 2011 and 2012 and 30 June 2013, the Group is expected to make payment of RMB1,539,000, RMB2,136,000, RMB1,895,000 and RMB1,878,000 under the defined benefit plan in the next twelve months from the end of each reporting period.

33. NON-WHOLLY OWNED SUBSIDIARY

The table below shows details of the non-controlling interests of Jian Gong Hospital:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Profit allocated to				
Non-controlling interests	6,197	10,371	9,646	2,062
Accumulated non-controlling interests	23,625	204,160	92,502	94,564

Summarized financial information in respect of the Group's subsidiary, Jian Gong Hospital that has non-controlling interests is set out below. The summarized financial information below represents amount before intra-group eliminations.

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	82,139	125,474	307,417	310,924
Non-current assets	90,684	386,535	295,807	283,954
Current liabilities	(73,376)	(67,358)	(96,531)	(82,931)
Non-current liabilities	(12,589)	(10,453)	(44,186)	(39,127)
Total equity	86,858	434,198	462,507	472,820

	For the year ended 31 December			For the six months ended 30 June	
	2010	2011	2012	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	280,995	320,674	402,189	186,873	213,522
Expenses	(258,209)	(293,887)	(373,880)	(170,845)	(203,214)
Profit for the year/period	22,786	26,787	28,309	16,028	10,308
Net cash inflow (outflow) from operating activities	12,557	48,676	(3,415)	7,810	6,905
Net cash outflow from investing activities	(16,342)	(151,265)	(24,741)	(11,867)	(24,795)
Net cash inflow (outflow) from financing activities	—	150,000	28,812	—	(3,596)
Net cash (outflow) inflow	(3,785)	47,411	656	(4,057)	(21,486)

34. CAPITAL

The Company

	Number Of shares	Nominal value Per share	Share Capital
		HK$	HK$
Authorised			
On incorporation *(Note i)*	3,800,000	0.1	380,000.0
Increase on subdivision of shares *(Note ii)*			
On 17 April 2013	380,000,000	0.001	380,000.0
At 30 June 2013	380,000,000	0.001	380,000.0
Issued and paid:			
On incorporation *(Note i)*	1	0.1	0.1
Increase on subdivision of shares *(Note ii)*			
On 17 April 2013	100	0.001	0.1
Issuance and allotment pursuant to the Reorganization *(Note iii)*	135,999,900	0.001	135,999.9
At 30 June 2013	136,000,000	0.001	136,000.0

	RMB'000
Presented as	109

Notes:

(i) On 28 February 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 19 March 2013, one nil paid subscriber share of the Company transferred to Speed Key Limited.

(ii) On 17 April 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 46,260,000 shares to certain institutional investors and certain companies beneficially owned by individual shareholders at a total consideration of RMB100 million.

The Group

For the purpose of the preparation of combined statements of financial position, the balance of capital at 31 December 2010, 2011 and 2012 represented the share capital of Beijing Phoenix prior to the Reorganization.

	Number of shares	Share capital
	'000	RMB'000
As at 1 January 2010	99,600	99,600
Issued of new shares	30,980	30,980
As at 31 December 2010	130,580	130,580
Issued of new shares	35,000	35,000
As at 31 December 2011	165,580	165,580
Shares repurchase	(25,000)	(25,000)
As at 31 December 2012	140,580	140,580

The Group's capital at 30 June 2013 represented the aggregate amount of issued share capital of the Company of RMB0.1 million and issued share capital of Pinyu of USD1 (equals to approximately RMB6). The authorised share capital of USD50,000. On 2 July 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 allotted and issued 14,680,000 Shares to Green Talent, one institutional investor. Pursuant to the Reorganization which was completed on 2 July 2013, the Company has become the holding company of the entities now comprising the Group.

35. SHARE PREMIUM AND RESERVES OF THE COMPANY

	Share Premium	Accumulated loss
	RMB'000	RMB'000
At 28 February 2013 (date of incorporation)	—	—
Issue of shares by the Company	99,891	—
Loss and total comprehensive expense for the period	—	(1,834)
At 30 June 2013	99,891	(1,834)

36. OPERATING LEASES

The Group as lessee

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Minimum lease payments under operating leases				
Within one year	614	554	653	2,020
In the second to the third year	550	—	204	3,459
In the third to the fourth year	—	—	204	—
	1,164	554	1,061	5,479

Operating lease payments represent rentals payable by the Group for the office premises leased. These leases were negotiated for lease terms of one to four years at fixed monthly rental.

37. CAPITAL COMMITMENTS

The following is the details of capital expenditure contracted for but not provided in the Financial Information.

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Commitment for acquisition of property, plant and equipment	3,140	2,483	1,552	1,339
Commitment for Repayable Investment Amounts to Yan Hua Hospital under IOT agreement	150,000	93,000	73,000	73,000
	153,140	95,483	74,552	74,339

38. CONTINGENT LIABILITIES

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

At 31 December 2012 and 30 June 2013, the Group provided a financial guarantee of RMB21,970,000 and RMB21,182,000 in respect of the finance lease contracts signed between Yan Hua Hospital and Hua Rong for certain medical equipment with lease terms of 6 years. All these finance lease contracts and the relevant guarantee were early terminated on 4 July 2013.

39. RELATED PARTY TRANSACTIONS

(a) Names and relationships

Names and relationships with related parties are as follows:

Name	Relationship
Yan Hua Phoenix	Entity controlled by a shareholder with significant influence over the Company
Yan Hua Hospital	Entity controlled by a shareholder with significant influence over the Company
Beijing Wantong	Entity controlled by a shareholder with significant influence over the Company
Liu Xing	The spouse of a shareholder, with significant influence over the Company
Vertex Asia Fund Pte. Ltd. ("Vertex Fund")	Shareholder of the Company
Silvapower Investments Limited ("Silvapower Investments")	Shareholder of the Company

(b) Related party transactions

During the Track Record Period, the transactions with Yan Hua Hospital set out in Note 8 are expected to continue after the Listing of the Company and a supplemental agreement to the Yan Hua IOT Agreements was entered into on 31 October 2013 with details in section C of this report.

The transactions were carried out in the ordinary course of business of the Group and conducted in accordance with the terms and conditions mutually agreed by both parties.

(c) Related party balances

At the end of each reporting period, other than receivables for IOT Hospital (Yan Hua Hospital) set out in Note 8, the Group had the following balances with related parties:

Amounts due from related parties

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade in nature				
Yan Hua Hospital	40,253	75,066	56,831	36,005

The Group allows a credit period of 60 days for the sales of pharmaceuticals, medical devices and consumables and 90 days to 180 days for the hospital management service.

The following is an aged analysis of amount due from a related party which is trade in nature based on the invoice date at the end of each reporting period:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within 60 days	36,621	51,267	48,461	22,473
61-180 days	3,632	11,223	8,370	8,021
181days-1 year	—	74	—	5,511
1-2 years	—	12,502	—	—
	40,253	75,066	56,831	36,005

The amount due from a related party disclosed above included amount (see below for aged analysis) that are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debt because there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The following is an aged analysis of amount due from the related party which are past due but not impaired:

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
61-180 days	3,632	11,223	8,370	8,021
181 days-1 year	—	74	—	5,511
1-2 years	—	12,502	—	—
	3,632	23,799	8,370	13,532

	THE GROUP				THE COMPANY
	As at 31 December			As at 30 June	As at 30 June
	2010	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-trade in nature					
Beijing Wantong *(Note i)*	—	—	—	92,000	—
Vertex Fund *(Note ii)*	—	—	—	15,152	15,152
Silvapower Investments *(Note ii)*	—	—	—	84,848	84,848
	—	—	—	192,000	100,000

Notes:

(i) Pursuant to the written resolutions of the shareholders on 16 January 2013 and 5 March 2013, Beijing Phoenix entered into the loan agreements with Beijing Wantong amounting to RMB92,000,000 which are interest-free and shall be settled on or before 31 December 2013. The balance has been fully paid on 3 September 2013.

(ii) On 5 May 2013, the Company issued 8,300,000 shares and 1,480,000 shares representing 5.51% and 0.98% of the Company upon the completion of the Reorganization to Vertex Fund and Silvapower Investments at subscription price of RMB84,848,000 and RMB15,152,000, respectively. The balances were fully settled on 3 July 2013.

Amounts due to related parties/a fellow subsidiary

	THE GROUP				THE COMPANY
	As at 31 December			As at 30 June	As at 30 June
	2010	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-trade in nature					
Related parties:					
Yan Hua Phoenix *(Note i)*	15,768	—	—	—	—
Yan Hua Hospital	3,561	—	—	—	—
Beijing Wantong *(Note ii)*	—	—	—	203,263	—
Liu Xing *(Note ii)*	—	—	—	129,930	—
	19,329	—	—	333,193	—
A fellow subsidiary:					
Beijing Phoenix	—	—	—	—	1,834

Notes:

(i) The above balance due to Yan Hua Phoenix represents the payable for acquisition of the operating right of Yan Hua Hospital and was fully settled on 28 March 2011.

(ii) From 9 April 2013 to 3 June 2013, the Company through Phoenix International and Star Target acquired 100% equity interest in Beijing Phoenix from its then shareholders as mentioned in note 2. The balances as at 30 June 2013 represent the payables due to Beijing Wantong and Liu Xing which were fully settled by the Group on 12 July 2013 and 17 July 2013, respectively.

The amounts due to related parties are unsecured, non-interest bearing and repayable on demand.

(d) Other related party transactions

Detailed information about the financial guarantee provided to Yan Hua Hospital is disclosed in Note 38.

(e) The Directors represented the key management personnel of the Group. The details of remuneration of the Directors are set out in Note 14.

40. NON-CASH TRANSACTIONS

The Group entered into a series of finance lease arrangements in respect of medical equipment with a total capital value at the inception of RMB5,981,000 and RMB2,069,000 for the year ended 31 December 2012 and the six months ended 30 June 2013, respectively.

41. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of financial instruments

	THE GROUP				THE COMPANY
	As at 31 December			As at 30 June	As at 30 June
	2010	2011	2012	2013	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets:					
Loans and receivables (including cash and bank balances)	160,788	472,783	309,748	524,597	100,000
FVTPL	246,600	23,000	60,450	22,000	—
	407,388	495,783	370,198	546,597	100,000
Financial liabilities:					
Amortized cost	322,686	314,086	403,791	769,155	1,834
Obligations under finance leases	—	—	5,981	7,794	—

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, amounts due from (to) related parties, other receivables, cash and bank balances, receivables from IOT Hospitals, short-term investments, trade payables, other payables, obligations under finance leases and borrowings. The Company's major financial instrument is amounts due from related parties and amount due to a fellow subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group undertakes certain financing and operating transactions in foreign currencies, which expose the Group to foreign currency risk. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The management manages its currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities during the Track Record Period are as follows:

	Liabilities				Assets			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2010	2011	2012	2013	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
US$	—	—	—	681	—	—	—	15,516
HK$	—	—	—	1,037	—	—	—	—

The functional currency of the Company is RMB in which most of their transactions are denominated. The Company does not have any foreign currency transaction during the Track Record Period which expose the Company to foreign currency risk.

Sensitivity analysis

The Group is mainly exposed to the risk of fluctuations in the HK dollar and US dollar against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against HK dollar and US dollar. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation to RMB at year/period end for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where RMB weakens 5% against the relevant currency. For a 5% strengthening of RMB against the relevant currency, there would be an equal and opposite impact on the post-tax profit, and the balances below would be negative.

	HK dollar				US dollar			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2010	2011	2012	2013	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit or loss	—	—	—	(39)	—	—	—	556

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the fixed-rate borrowings and obligations under finance leases (see Notes 31 and 30) and cash flow interest risk in relation to variable-rate bank balances (see Note 27), which carry prevailing market interest rates and short-term investments (see Note 26). The Group currently does not have a specific policy to manage their interest rate risk and have not entered into interest rate swaps to hedge its exposure, but will closely monitor their interest rate risk exposure in the future.

No sensitivity analysis on interest rate risk on bank balances is presented as management consider the sensitivity on interest rate risk on bank balances is insignificant.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the combined statements of financial position and the financial guarantee set out in Note 38.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each material individual debt at the end of each of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on cash and bank balances is limited because the majority of the counterparties are banks with good reputation.

The Group has concentration of credit risk in respect of amounts due from the IOT Hospitals, including receivables from the IOT Hospitals and trade receivables from the IOT Hospitals, and amounts due from related parties. Details of the balances with IOT Hospitals and the amount due from related parties are set out in Notes 8 and 39(c) respectively. The Group monitors the exposure to credit risk on an ongoing basis and credit evaluation is performed on each of the IOT Hospitals. In order to minimise the credit risk, the Group have reviewed the recoverability of the amounts due from the related parties to ensure that follow-up action is taken timely. Therefore the Group's management concludes the exposure to bad debt is not significant. Under such circumstances, the management considers that the Group's credit risk is not significant.

Liquidity risk

At 30 June 2013, the Group had net current liabilities amounting to RMB30,132,000. The Group is exposed to liquidity risk of being unable to raise sufficient funds to meet its financial obligations when they fall due.

In management of liquidity risk, the Group's management monitors and maintains a reasonable level of cash and cash equivalents which deemed adequate by the management to finance the Group's operations and mitigate the impacts of fluctuations in cash flows. The management relies on the cash generated from operating activities and monitors the utilisation of borrowings as the main source of liquidity. For the years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013, Group had cash generated from operating activities of RMB70 million, RMB62 million, RMB166 million and RMB72 million, respectively. The Group has unutilized borrowing facilities of RMB100 million, which is secured by 26.49% equity interest in Jian Gong Hospital as at 31 December 2012 and 30 June 2013. The Group expects to meet its other obligations from operating cash inflows and proceeds of maturing financial assets.

As at 30 June 2013, the amount due from the related parties and amount due to a fellow subsidiary of the Company are repayable on demand. The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest (including guarantee fee, as appropriate) and principal cash flows.

In addition, the following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on these non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

The amounts included below for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in actual variable interest rates different to those estimates of interest rates as determined at the end of each reporting period.

	Weighted average interest rate	On demand or within one month	1-3 months	3 months to 1 year	1-5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2010								
Financial assets								
Receivables from IOT Hospitals	11.00	—	—	3,000	12,000	50,000	65,000	25,147
Trade receivables		16,080	4,020	—	—	—	20,100	20,100
Other receivables		491	122	—	—	—	613	613
Amount due from a related party		32,202	8,051	—	—	—	40,253	40,253
Short-term investment	3.31	31,634	216,149	—	—	—	247,783	246,600
Bank balances and cash		74,675	—	—	—	—	74,675	74,675
Total		155,082	228,342	3,000	12,000	50,000	448,424	407,388
Financial liabilities								
Trade payables		46,583	31,055	—	—	—	77,638	77,638
Other payables		15,431	10,288	—	—	—	25,719	25,719
Amounts due to related parties		11,597	7,732	—	—	—	19,329	19,329
Borrowings *(Note)*	9.30	—	—		234,100	—	234,100	200,000
Total		73,611	49,075	—	234,100	—	356,786	322,686

Note: The undiscounted cash flows of borrowings include guarantee fee (see Note 31).

	Weighted average interest rate	On demand or within one month	1-3 months	3 months to 1 year	1-5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2011								
Financial assets								
Receivables from IOT Hospitals	11.00	—	—	5,126	20,502	103,372	129,000	40,955
Trade receivables		19,076	4,769	—	—	—	23,845	23,845
Other receivables		1,543	386	—	—	—	1,929	1,929
Amount due from a related party		60,053	15,013	—	—	—	75,066	75,066
Short-term investment	2.87	5,035	18,017	—	—	—	23,052	23,000
Bank balances and cash		330,988	—	—	—	—	330,988	330,988
Total		416,695	38,185	5,126	20,502	103,372	583,880	495,783
Financial liabilities								
Trade payables		54,079	36,052	—	—	—	90,131	90,131
Other payables		14,374	9,581	—	—	—	23,955	23,955
Borrowings *(Note)*	9.30	—	—	217,050	—	—	217,050	200,000
Total		68,453	45,633	217,050	—	—	331,136	314,086

Note: The undiscounted cash flows of borrowings include guarantee fee (see Note 31).

	Weighted average interest rate	On demand or within one month	1-3 months	3 months to 1 year	1-5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2012								
Financial assets								
Receivables from IOT Hospitals	11.00	—	—	7,052	28,207	133,615	168,874	55,098
Trade receivables		66,408	16,602	—	—	—	83,010	83,010
Other receivables		1,348	337	—	—	—	1,685	1,685
Amount due from a related party		45,464	11,367	—	—	—	56,831	56,831
Short-term investment	3.15	10,037	50,517	—	—	—	60,554	60,450
Bank balances and cash		113,124	—	—	—	—	113,124	113,124
Total		236,381	78,823	7,052	28,207	133,615	484,078	370,198
Financial liabilities								
Trade payables		73,351	48,900	—	—	—	122,251	122,251
Other payables		29,079	19,387	—	—	—	48,466	48,466
Obligations under finance lease	10.70	59	214	878	6,162	1,114	8,427	5,981
Financial guarantee *(Note)*		21,970	—	—	—	—	21,970	—
Borrowings	9.85	—	—	6,138	271,179	4,510	281,827	233,074
Total		124,459	68,501	7,016	277,341	5,624	482,941	409,772

Note: The amounts included above for financial guarantee contract (see note 38) are the minimum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectation as at 31 December 2012, the Group considers that it is more likely than not than no amount will be payable under the agreement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

	Weighted average interest rate	On demand or within one month	1-3 months	3 months to 1 year	1-5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2013								
Financial assets								
Receivables from IOT Hospitals	11.00	—	—	7,052	28,207	130,090	165,349	56,749
Trade receivables		88,414	22,104	—	—	—	110,518	110,518
Other receivables		863	216	—	—	—	1,079	1,079
Amounts due from related parties		202,404	25,601	—	—	—	228,005	228,005
Short-term investment	3.67	—	22,055	—	—	—	22,055	22,000
Bank balances and cash		128,246	—	—	—	—	128,246	128,246
Total		419,927	69,976	7,052	28,207	130,090	655,252	546,597
Financial liabilities								
Trade payables		73,286	48,858	—	—	—	122,144	122,144
Other payables		49,232	32,821	—	—	—	82,053	82,053
Obligations under finance lease *(Note ii)*	10.86	64	326	1,246	8,637	560	10,833	7,794
Amounts due to related parties		333,193	—	—	—	—	333,193	333,193
Financial guarantee *(Note i)*		21,182	—	—	—	—	21,182	—
Borrowings *(Note ii)*	9.85	—	1,566	5,070	262,247	—	268,883	231,765
Total		476,957	83,571	6,316	270,884	560	838,288	776,949

Note i: The amounts included above for financial guarantee contract (see note 38) are the minimum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectation as at 30 June 2013, the Group considers that it is more likely than not than no amount will be payable under the agreement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Note ii: As disclosed in Notes 30 and 31, all finance lease obligations amounted to RMB7,794,000 and the borrowing from Hua Rong amounted to RMB31,765,000 as of 30 June 2013 have been early terminated and settled in August 2013.

Fair value of financial instruments

The short-term investments (see Note 26) are measured at fair value at the end of each reporting period. The fair value of short-term investment was RMB246.6 million, RMB23 million, RMB60.5 million and RMB22 million as at 31 December 2010, 2011 and 2012 and 30 June 2013 respectively which are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. Future cash flows are estimated based on expected interest rates.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values.

42. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern, while to maximize the return to the Equity holders of the Company through optimisation of debt and equity balances. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of the borrowings, net of cash and bank balances and total equity of the Group.

The management reviews the capital structure on a quarterly basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on the recommendation of management, the Group will balance its overall capital structure through issue of new shares, issue of new debts as well as the repayment of existing debts.

B. DIRECTORS' REMUNERATION

Under the arrangements presently in force, the aggregate remuneration payable to the Directors for the year ending 31 December 2013 is estimated to be approximately RMB5,758,000.

Save as disclosed in this report, no other remuneration has been paid or is payable by the Company or any of its subsidiaries to the Directors in respect of the Track Record Period.

C. SUBSEQUENT EVENTS

Other than those disclosed in the Section A of the Financial Information, the following significant events took place subsequent to 30 June 2013:

1. On 13 June 2013, Speed Key Limited and the Company entered into three exchangeable note subscription agreements with Green Talent, Silvapower Investments and Vertex Fund, respectively. The three exchangeable notes in the aggregate principal amount of US$24,282,454 (equivalent to RMB150,000,000), US$13,735,530 (equivalent to RMB84,848,485) and US$2,452,774 (equivalent to RMB15,151,515) with coupon interest rate of 12% per annum were issued to Green Talent, Silvapower Investments and Vertex Fund, respectively in July 2013.

   The principal amount of each exchangeable note and all of the accrued interest thereon are exchangeable for shares in the Company owned by Speed Key Limited on 31 July 2013. None of the noteholders had exercised their rights to exchange shares with their exchangeable notes and all such exchange rights have expired.

   The borrowing will mature upon the earlier of the Listing of the Company or the first anniversary of the issuance of the borrowing of 3 July 2014.

   A guarantee was granted by Ms. Xu and the Company jointly and severally in favour of each of the noteholders to guarantee the repayment obligations of Speed Key Limited. This guarantee will lapse upon the Listing.

2. On 3 July 2013, in order to finance certain steps of the Reorganization, the Company borrowed US$40,470,767 (approximately equal to RMB250 million) from Speed Key Limited controlled by the Xu's Family, at an interest rate of 12% p.a.. The borrowing will mature upon the earlier of the Listing of the Company or the first anniversary of the issuance of the borrowing on 3 July 2014.

3. On 2 July 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 allotted and issued 14,680,000 Shares to Green Talent, an institutional investor. Upon the completion of this step, the Group completed the Reorganization as described in Note 2 in preparation for the Listing.

4. In August 2013, pursuant to the terms of the equity transfer agreement between Beijing Phoenix and Beijing Wantong, Beijing Wantong transferred the 10% of the equity interest of Jian Gong Hospital back to Beijing Phoenix at a consideration of RMB42.1 million. On 27 August 2013, this equity transfer was duly registered with Beijing State Administration for Industry and Commerce.

5. On 30 September 2013, the Company's shareholders and directors passed resolutions approving a sub-division in the Company's share capital. Each ordinary share of nominal value HK$0.001 each was sub-divided into 4 ordinary shares of nominal value of HK$0.00025 each.

6. On 30 September 2013, the Company's shareholders passed a resolution approving a share option scheme. The Company has conditionally adopted the share option scheme. The principal terms of the share option scheme are set out in "Share Option Scheme" in Appendix V to this prospectus.

7. On 31 October 2013, the supplemental agreement to Yan Hua IOT Agreements is entered into among Beijing Phoenix, Yan Hua Phoenix and Yan Hua Hospital. Pursuant to the supplemental agreement, the term of the Yan Hua IOT Agreements is subject to approval by the Company's independent shareholders every three years. On 6 November 2013, Beijing Phoenix and Yan Hua Phoenix also entered into a reimbursement agreement. Pursuant to the reimbursement agreement, Yan Hua Phoenix has undertaken to reimburse the Beijing Phoenix part of the initial investment paid to Yan Hua Phoenix under the Yan Hua IOT Agreements which represents the unamortized balance as if the initial investment is amortized equally over the term of operating right period of 48 years under the Yan Hua IOT Agreements, upon termination or discontinuation of the Yan Hua IOT Agreements. Ms. Xu Xiaojie and Ms. Xu Jie have jointly and severally guaranteed the performance of the above undertaking. The signing of the supplemental agreement to the Yan Hua IOT Agreements, which stipulates the Company's independent shareholders' approval requirement for every three years, would affect the estimated recoverable amount and useful life of the operating right of Yan Hua Hospital under the IOT arrangement, which is classified as intangible assets. If the estimated recoverable amount is lower than the carrying amount of the relevant intangible asset, a material impairment may arise which would be recognized in profit or loss for the period in which such event takes place. The Directors are in the process of assessing the relevant financial impact.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by any of the companies now comprising the Group in respect of any period subsequent to 30 June 2013.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong