PHOENIX HEALTHCARE GROUP
凤凰医疗集团

Phoenix Healthcare Group Co. Ltd
鳳凰醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1515

Annual Report 2013

Contents

Corporate Information

Directors

Executive Directors:

Mr. Liang Hongze *(Chairman and Chief Executive Officer)*
Ms. Xu Jie
Mr. Zhang Liang *(Vice Chairman and General Manager)*
Mr. Xu Zechang *(Vice General Manager)*
Mr. Jiang Tianfan
(Chief Financial Officer and Secretary of the Board)

Non-executive Directors:

Mr. Yang Huisheng
Mr. Zhu Zhongyuan

Independent non-executive Directors:

Mr. Kwong Kwok Kong
Ms. Cheng Hong
Mr. Wang Bing
Mr. Sun Jianhua

Audit Committee

Mr. Kwong Kwok Kong *(Chairman)*
Ms. Cheng Hong
Mr. Sun Jianhua

Remuneration Committee

Mr. Wang Bing *(Chairman)*
Mr. Sun Jianhua
Mr. Zhang Liang

Nomination Committee

Ms. Cheng Hong *(Chairman)*
Mr. Wang Bing
Mr. Liang Hongze

Authorized Representatives

Mr. Jiang Tianfan
Mr. Or Wing Kee

Joint Company Secretaries

Mr. Or Wing Kee
Mr. Wong Kwok Hung Kendrick

Headquarters and Principal Place of Business in China

E–825, No. 6 Taiping Street
Xicheng District
Beijing 100050
China

Principal Place of Business in Hong Kong

Suites 1214–1215
Two Pacific Place
88 Queensway
Hong Kong

Registered Office

Harneys Services (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
PO Box 10240, Grand Cayman
KY1–1002, Cayman Islands

Principal Share Registrar and Transfer Office in Cayman Islands

Harneys Services (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
PO Box 10240, Grand Cayman
KY1–1002, Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Auditors

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

Legal Adviser

Brandt Chan & Partners
in association with SNR Denton HK LLP
3201 Jardine House
1 Connaught Place
Central
Hong Kong

Compliance Adviser

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Principal Bankers

China Merchants Bank
2nd Floor, Tower A
156 Fuxingmennei Street
Xicheng District
Beijing, China

Industrial and Commercial Bank of China
55 Taoranting Road
Xuanwu District
Beijing, China

Stock Code

1515

Company Website

www.phg.com.cn

Chairman's Statement

Dear shareholders:

The year 2013 was a year of milestone significance in which the Group successfully listed on the main board of the Stock Exchange, laying an important foundation that will facilitate future developments of the Group.

The year 2013 also witnessed further intensification and exploration of China's healthcare system reform, with the Central Government placing a higher priority on the development of healthcare service industry. On the 3rd Plenary Session of the 18th CPC Central Committee held on November 12, 2013, proposals were approved to further clarify the decisive roles of market in economic development, thus laying a key foundation for the deepening of the healthcare system reform, particularly the development of private hospitals and the reform of public hospitals. Therefore, we believe that China's private hospitals will face new opportunities of growth.

In 2013, apart from completing IPO in Hong Kong, the Group also achieved sound and steady development. Amid the gradual deepening of healthcare system reform in Beijing, we formulate and operate the IOT reform projects on public hospitals in Mentougou District, Beijing, which is in line with the government policy. The continuous improvement of regulatory environment is an impetus for our future development.

The Group recorded revenue of RMB887.4 million, represented a year-on-year growth of 17.1%. Profit attributable to shareholders amounted to RMB90.0 million, represented a year-on-year decrease of 11.0%. The unaudited adjusted net profit attributable to shareholders derived by excluding one-off items relating to our IPO was approximately RMB139.0 million. The Board recommends a final dividend of HK$6.7 cents per Share for the year ended December 31, 2013.

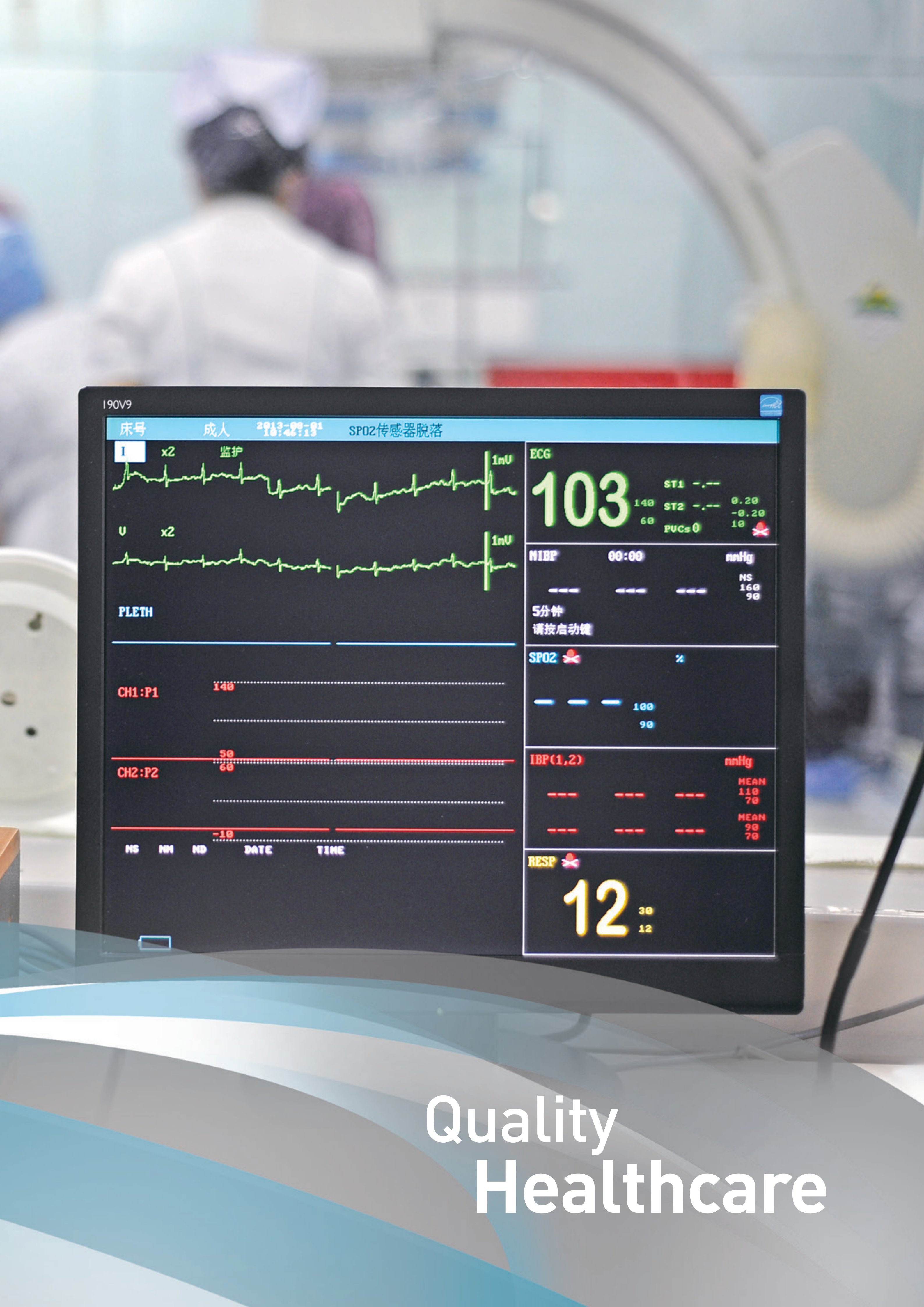
As a leading company of public hospital reform in China, the Group has always been exploring innovative approaches for public hospital reform, and has created prestigious reputation and proven competitiveness in merger and acquisition, and management of public hospitals. We are not only beneficiaries of the furthering of reform on the healthcare system, but also active participants in further deepening of the reform.

In 2014, driven by the further deepening and improvement of the national healthcare system reform, we expect increasing opportunities to participate in public hospital reform and expand our existing hospital and clinic portfolio. In the year to come, we will continue to make great efforts to participate in the reform of Beijing's public hospitals so as to contribute to the reform; meanwhile, we will explore new industrial development opportunities in broader fields. We are to capitalize on the open and dynamic capital platform created by our IPO in Hong Kong, seek to introduce advanced foreign medical resources and cutting-edge medical management approaches in order to provide patients with diversified and quality medical services. We will continue to strengthen our market leadership by expanding our hospital and clinic portfolio, and realize centralization of key functions and standardization of hospital operations, thus improving the quality of our medical services, and offer value-adding services to high-end patients. At the same time, we will continue to improve and optimize management and operation of our hospital and clinic portfolio and improve operational efficiency of each individual hospital or clinic by means of standardization, information and resource sharing, so as to facilitate solid upgrading of the overall clinical skills of the whole Group. We are dedicated to offering patients with high quality medical services and making contribution to the healthcare system reform, and at the same time striving to create recurring and fruitful return to our shareholders.

Liang Hongze
Chairman

Hong Kong, March 28, 2014


10/100M Fast Ethernet Switch
TL-SF1008D
Power



Quality Healthcare

Management Discussion and Analysis

Business Overview and Outlook

China Healthcare Industry

China is one of the world's largest medical service markets. In recent years, China's healthcare expenditure has seen rapid growth. However, the healthcare expenditure only accounted for 5.6% of Chinese GDP in 2012, a figure far below that of developed nations, representing a vast room for future growth of the Chinese medical service markets. As the major revenue contributor of healthcare service, Chinese hospitals recorded a total revenue of nearly RMB1,494.2 billion in 2012, and the figure is expected to grow to RMB3,098.7 billion by 2017.

On September 28, 2013, Chinese State Council promulgated Opinions on Promoting the Growth of Medical Service Sector (《關於促進健康服務業發展的若干意見》), which includes hospital reform in the comprehensive healthcare reform program and suggests optimization of medical service resources and acceleration of public hospital reform. The decree encourages local governments to offer healthcare services to the general public by more flexible approaches including setting up new hospitals, privatization of existing public hospitals, state-found-private-run mechanism, and further easing of restrictions on number, scale and location of for-profit hospitals and quantity of large medical equipments. On the 3rd Plenary Session of the 18th CPC Central Committee held on November 12, 2013, proposals were approved to further clarify the decisive roles of market in economic development, thus laying a key foundation for the deepening of the healthcare system reform, particularly the development of private hospitals and the reform of public hospitals.

Public Listing

As a pioneer of China's public hospital reform, the Group boasts rich experience in both public hospital reform and collective management of hospitals.

On November 29, 2013, the Group successfully completed its IPO on the main board of the Stock Exchange, making it the largest private hospital group ever listed on the exchange. The IPO has enabled the Group to further develop its channels for financing, and pave a way for the Group to continuously expand its existing network of hospitals and clinics, strengthen its group management and enhance its main businesses.

Industry Outlook

China's huge and fast-growing medical service market is only at the early stage of the opening up process, and the government has already started the privatization process of public hospitals, and escalated industrialization of healthcare service to the level of national development strategy, unveiling vast opportunities for investing in China's medical service industry.

Aging population, prevalence of chronic diseases, increase of medical service popularity and improvement of general public's affordability give sustainable and steady impetus to the growth of China's medical service market.

As the most time honored and the largest private hospital group in China's healthcare service industry, the Group has been acknowledged and accredited by the government and state-owned enterprises.

Development Strategies

Growth strategies:

- Strengthen market leadership through further expansion of our network of hospitals and clinics
- Continue to take part in public hospital reform and realize Group expansion and growth
- Focus on Beijing region which continues to be the Group's major market

Efficiency improvement strategies:

- Further centralize key functionalities and standardize the operations of in-network hospitals and clinics to generate synergies
- Further consolidating the supply chain of our in-network hospitals and clinics
- Foster medical knowledge and expertise across our in-network hospitals and clinics via doctor sharing and cross referral

- Realize more efficient use of hospital facilities within the Group, for example, establish a central diagnosis and testing centre to enable more services at lower cost for our in-network hospitals and clinics
- Employ enterprise resource planning to monitor financial and operational data as well as to facilitate management decision making

Quality strategies:

- Attract senior medical talents with a more advanced platform
- Implement Joint Commission International management on a comprehensive basis by employing more advanced clinical equipments and cultivating prestige clinical specialties in an orderly manner including cardiovasology, tumor, nerve, etc.

High-end medical service market:

- Capitalize on the advantages of the Group and gradually expand its high-end medical service business.

Financial Review

Segment Revenue

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

General hospital services

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

	Year ended December 31,	
	2013 (RMB'000)	2012 (RMB'000)
Revenue	**470,435**	403,109
Cost of sales and services	**(384,898)**	(328,831)
Gross profit	**85,537**	74,278

Revenue from our general hospital services segment reached RMB470.4 million, represented a year-on-year increase of 16.7% and accounted for 53.0% of our total revenue for FY2013, as a result of growth in total patient visits and average spending per patient visit. The number of total patient visits at Jing Gong Hospital reached a new record of approximately 695,700 (FY2012: approximately 609,400), comprising of approximately 684,900 outpatient visits (FY2012: approximately 597,900) and 10,800 inpatient visits (FY2012: approximately 11,500). Inpatient visits were affected partly by the refurbishment and temporary closure of certain wards in Jing Gong Hospital, thereby decreasing the number of surgeries undertaken in FY2013. The average spending per outpatient visit increased to approximately RMB439 (FY2012: approximately RMB417), while there was also an improvement in average spending per inpatient visit to approximately RMB15,558 (FY2012: approximately RMB13,127) partly attributable to more advanced operations undertaken in the hospital.

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

In tandem with its continuous business expansion, Jian Gong Hospital's cost of sales and services grew to RMB384.9 million, represented a year-on-year increase of 17.1%. The gross profit margin remained stable at 18.2% (FY2012: 18.4%).

Hospital management services

We managed and operated a total of ten general hospitals, one traditional Chinese medicine hospital and 28 community clinics under the IOT model in FY2013. In return, we were entitled to receive from each hospital or the hospital owners management fee, primarily calculated with reference to percentage of revenue and/or net income before tax (收支結餘) generated by our IOT hospitals and clinics. Accordingly, the management fees we receive depend on the performance of such hospitals and clinics. For certain hospitals, our management fees are dependent on profitability and performance reviews.

Revenue from our hospital management services segment was RMB40.8 million, represented a year-on-year increase of 1.2% and accounted for 4.6% of our total revenue for FY2013. The following table sets out the revenue, cost of sales and services and gross profit contributed by our hospital management services segment during the periods indicated:

	Year ended December 31,	
	2013 (RMB'000)	2012 (RMB'000)
Revenue	**40,765**	40,277
Cost of sales and services	**(14,074)**	(12,376)
Gross profit	**26,691**	27,901

	Year ended December 31,	
	2013 (RMB'000)	2012 (RMB'000)
Yan Hua Hospital Group	**21,248**	22,626
Mentougou Hospital	**3,445**	5,438
Jing Mei Hospital Group	**12,305**	12,213
Mentougou Traditional Chinese Medicine Hospital	**3,767**	—
Total	**40,765**	40,277

The management fee from Yan Hua Hospital Group was RMB21.2 million, represented a decrease of 6.1% from FY2012. Despite an increase in revenue due to more patient visits and higher average spending per patient visit, Yan Hua Hospital Group's increased staff costs outpaced revenue increase, leading to a decrease in net income before tax and hence our management fee. The increase in staff costs was due to upward adjustments of base salary and one-off bonus payment, as well as an increase in the number of employees, which was in line with the management's strategy of further improving the service quality of the hospital group.

The management fee from Mentougou Hospital was RMB3.4 million, represented a decrease of 36.6% from FY2012. The increase in patient visits received by Mentougou Hospital and higher average spending per patient visit were offset by higher cost of services mainly due to increased staff costs and pharmaceutical costs. As a result, the hospital's net income before tax decreased, thereby reducing our management fee.

The management fee from Jing Mei Hospital Group was RMB12.3 million, represented an increase of 0.8% from FY2012. The increase in patient visits was partially offset by a decrease in average spending per inpatient visit, leading to marginal increase in the hospital group's net income before tax and hence our management fee.

The management fee from Mentougou Traditional Chinese Medicine Hospital was RMB3.8 million. As agreed with the Mentougou government, we were not entitled to any management fee for our first six-month management service for Mentougou Traditional Chinese Medicine Hospital in FY2012. The hospital witnessed increase in number of patient visits as well as higher average spending per patient visit in FY2013.

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

Our hospital management services incurred cost of sales and services of RMB14.1 million, represented a year-on-year increase of 13.7% due to an additional RMB10 million investment in Yan Hua Hospital Group in July 2013 and the first full year amortization of investments of RMB20 million and RMB25 million made in the Yan Hua Hospital Group and Mentougou Traditional Chinese Medicine Hospital, respectively, in 2012. Since the increased cost of sales and services outpaced revenue increase, the gross profit margin of our hospital management services segment decreased to 65.5% (FY2012: 69.3%).

Supply chain business

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

	Year ended December 31,	
	2013 (RMB'000)	2012 (RMB'000)
Revenue	**479,682**	431,020
Cost of sales and services	**(379,217)**	(348,395)
Gross profit	**100,465**	82,625

Our supply chain business segment revenue grew to RMB479.7 million, represented an increase of 11.3% from FY2012, primarily attributable to increased patient visits and our effort to further consolidate the procurement need of our in-network hospitals and clinics. Segment revenue from sales to Jiang Gong Hospital amounted to RMB103.5 million was recorded as inter-segment revenue and eliminated from the total revenue. After such inter-segment elimination, our supply chain business segment accounted for 42.4% of our total revenue for FY2013. The total number of patient visits at our in-network hospitals and clinics continuously increased to approximately 3.4 million (FY2012: approximately 3.1 million) in FY2013. During the year, we also started to independently supply pharmaceuticals to Mentougou Hospital and Mentougou Traditional Chinese Medicine Hospital in addition to the Hong Hui supply arrangement for Jian Gong Hospital, Yan Hua Hospital Group and Jing Mei Hospital Group.

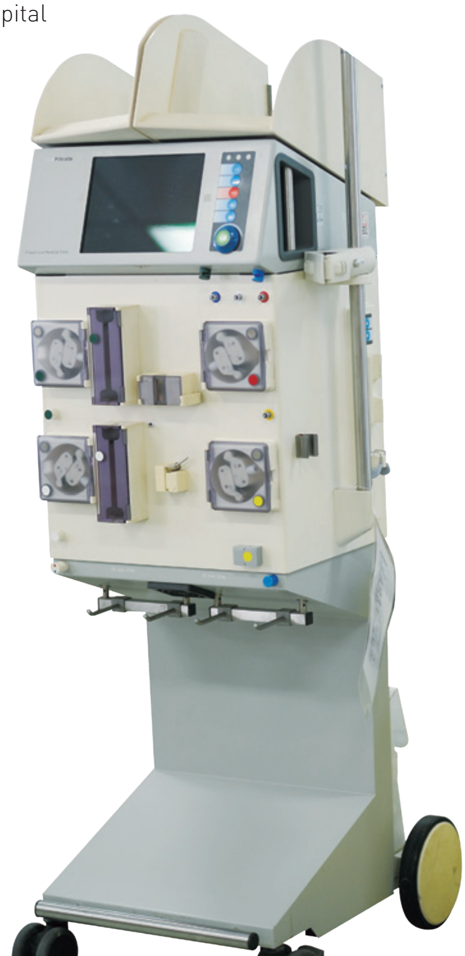
Management Discussion and Analysis (Continued)

The cost of sales and services of our supply chain business segment represents the procurement costs of pharmaceuticals, medical devices and medical consumables for resale to the our in-network hospitals and clinics. Our supply chain business segment incurred cost of sales and services of RMB379.2 million, represented a year-on-year increase of 8.8% from FY2012. The gross profit margin of our supply chain business segment improved to 20.9% (FY2012: 19.2%), primarily due to (i) greater volume discounts we were able to secure from our suppliers as a result of further consolidation of procurement needs of our in-network hospitals and clinics, and (ii) the implementation of supply agreement with Hong Hui since 2012, which was remained in force in FY2013. Pursuant to this agreement, we provide Hong Hui with the consolidated pharmaceutical orders of Jian Gong Hospital, Yan Hua Hospital Group and Jing Mei Hospital Group, except for certain Excluded Pharmaceuticals. In consideration for granting Hong Hui the priority to supply pharmaceuticals to these three hospitals, Hong Hui agrees to provide us with a minimum economic benefit ("MEB") and pay us the difference if the gross profit we generate from resale of pharmaceuticals is less than the MEB.

In FY2013, Jian Gong Hospital, Yan Hua Hospital Group and Jing Mei Hospital Group purchased a total of RMB780.6 million of pharmaceuticals, excluding the purchases of Excluded Pharmaceuticals. We were entitled to RMB109.3 million MEB pursuant to our supply agreement with Hong Hui, of which RMB58.7 million was recorded as fee income. Our gross profit margin of our supply chain business segment would have been 15.3% (2012: 14.4%) had we (a) reflected in the revenue of our supply chain business the purchases of pharmaceuticals by such three hospitals from Hong Hui and other suppliers arranged by Hong Hui; and (b) recorded in the gross profit of supply chain business the total fee income payment pursuant to the supply agreement with Hong Hui.

Gross Profit

Our overall gross profit reached RMB212.7 million, represented a year-on-year increased of 15.1%. Overall gross profit margin, however, decreased slightly to 24.0% (FY2012: 24.4%), reflecting a decrease in revenue contribution and gross profit margin of our hospital management services segment, which commanded a higher profit margin than other business segments, in spite of higher revenue contribution and improved gross profit margin of our supply chain business. Revenue contribution and gross profit margin of our general hospital services segment remained stable.



Other Income

Other income surged to RMB71.1 million, represented a year-on-year increase of 89.3%, mainly due to increase fee income from Hong Hui and suppliers arranged by Hong Hui, and interest derived from receivables from our IOT hospitals.

Other Gains and Losses

There was a foreign exchange loss of RMB7.0 million from our Hong Kong dollar denominated bank balance as a result of weakening of Hong Kong dollar against RMB.

Selling and Distribution Expenses

We enhanced our business development initiatives of our supply chain business segment and accordingly selling and distribution expenses, in particular staff costs, increased to RMB8.4 million, represented a year-on-year increase of 30.2%. We have been striving to increase our selling and distribution expenses cautiously in line with our supply chain business expansion.

Administrative Expenses

We incurred administrative expenses of RMB65.8 million, represented a year-on-year increase of 51.2%, primarily attributable to increased professional service fees and logistic expenses, and higher staff costs of our general hospital services and supply chain business.

Management Discussion and Analysis (Continued)

Finance Costs

Our finance costs increased significantly to RMB35.2 million, represented a year-on-year increase of 44.3%, mainly attributable to increased interest expenses related to our RMB250 million borrowing at an annual interest rate of 12.0% from Speed Key Limited for the purpose of group restructuring for IPO. The loan was repaid upon IPO.

Other Expenses

It was predominately due to RMB22.1 million expenses incurred in relation to IPO, our other expenses surged by 22.2 times from FY2012.

Income Tax Expense

The income tax charge increased to RMB46.9 million, represented a year-on-year increase of 28.2% despite a reduced profit before tax of RMB143.0 million (FY2012: RMB147.3 million) mainly due to the expense not deductible for tax purposes arising from the Company and overseas subsidiaries of RMB44.3 million (FY2012: nil).

Net Profit

Profit attributable to shareholders amounted to RMB90.0 million, represented a year-on-year decrease of 11.0%. The unaudited adjusted net profit attributable to shareholders derived by excluding one-off items relating to our IPO was approximately RMB139.0 million.

Financial Position

Inventories

The inventories decreased from RMB35.1 million as at December 31, 2012 to RMB31.1 million as at December 31, 2013, primarily due to decrease in inventories of pharmaceuticals.

Trade Receivables

As at December 31, 2013, the balance of trade receivables remained stable at RMB83.8 million (December 31, 2012: RMB83.0 million).

Trade and Other Payables

As at December 31, 2013, the balance of trade payables was RMB123.9 million (December 31, 2012: RMB122.3 million), arising from the purchase of pharmaceuticals, medical devices and medical consumables from our suppliers.

The Group's other payables remained stable at RMB54.1 million as at December 31, 2013 (December 31, 2012: RMB53.8 million).

Net Current Assets Position

As at December 31, 2013, the Group's net current assets amounted to RMB1,070.5 million.

Liquidity and Capital Resources

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

	Year ended December 31,	
	2013 (RMB'000)	2012 (RMB'000)
Net cash generated from operating activities	**169,676**	166,419
Net cash used in investing activities	**(841,754)**	(102,200)
Net cash generated from (used in) financing activities	**971,280**	(282,083)
Net increase (decrease) in cash and cash equivalents	**299,202**	(217,864)

Net Cash Generated from Operating Activities

During FY2013, the net cash generated from operating activities was RMB169.7 million, which was primarily attributable to the profit before tax of RMB143.0 million, adjusted for finance costs of RMB35.2 million in relation to our interest expense on borrowings, foreign exchange loss of RMB7.0 million, and other non-cash expenses including depreciation of property, plant and equipment of RMB19.0 million, amortization of intangible assets of RMB14.1 million in relation to our investments for management rights of IOT hospitals and clinics, partially offset by income tax paid of RMB41.4 million and interest and investment income of RMB10.3 million.

Net Cash Used in Investing Activities

During FY2013, the net cash used in investing activities was RMB841.8 million, which was primarily attributable to purchase of certificate of deposit of RMB704.5 million, net purchase of short-term investment of RMB115.6 million, purchase of property, plant and equipment of RMB21.3 million, investments of RMB10.0 million in Yan Hua Hospital Group, partially offset by the repayment of investments of RMB7.1 million from IOT hospitals and clinics pursuant to our IOT agreements.

Net Cash Generated from Financing Activities

During FY2013, the net cash generated from financing activities was RMB971.3 million, which was primarily attributable to net proceeds from issue of new shares to public of RMB1,292.4 million and net proceeds from issue of new shares during Group reorganization of RMB250.0 million, partially offset by the acquisition of equity interest of Beijing Phoenix of RMB500.5 million during the Group reorganization, the repayment of borrowings of RMB33.1 million, interest payment of RMB32.7 million, and repayment of obligations under finance leases of RMB8.4 million.

Significant Investments, Acquisitions and Disposals

Save as the reorganisation stated in the Prospectus of the Company, the Group had no significant acquisitions and disposals during FY2013.

Capital Expenditures

Our capital expenditures principally consist of expenditures in respect of acquisition of property, plant and equipment and repayable investment amount to our in-network IOT hospitals and clinics during FY2013 and FY2012. The amount of capital expenditures of the Group were approximately RMB31.3 million during FY2013.

Indebtedness

Borrowings

As at December 31, 2013, the Group's borrowing was RMB200.0 million, representing a decrease by RMB33.1 million from December 31, 2012, which was due to termination of finance leases. The Group fully repaid the RMB200.0 million borrowing on January 17, 2014.

Contingent Liabilities

As at December 31, 2013, the Group did not have any contingent liabilities or guarantees that would have a material impact on the financial position or operations of the Group.

Exposure to Fluctuation in Exchange Rates

The Group undertakes certain financing and operating transactions in foreign currencies, which expose the Group to foreign currency risk, mainly to the risk of fluctuations in the Hong Kong dollar and U.S. dollar against RMB. We have not used any derivative contracts to hedge against its exposure to currency risk. The management manages the currency risk by closely monitoring the movement of the foreign currency rates and considering hedging significant foreign currency exposure should such need arise.

Interest Rate Risk

The Group is exposed to fair value interest rate risk in relation to the fixed-rate borrowings and cash flow interest risk in relation to variable-rate bank balances, which carry prevailing market interest rates and short-term investments. We currently do not have a specific policy to manage our interest rate risk and have not entered into interest rate swaps to hedge the exposure, but will closely monitor the interest rate risk exposure in the future.

Pledge of Assets

As at December 31, 2013, the borrowing from CITIC Trust Co., Ltd of RMB200.0 million was secured by 53.51% equity interest in Jian Gong Hospital. The borrowing contract was early terminated on January 17, 2014, and the remaining balance of the borrowing as at December 31, 2013 was fully settled on the same date.

Contractual Obligations

As at December 31, 2013, our contractual obligations amounted to approximately RMB68.7 million, and decreased by RMB5.9 million as compared to approximately RMB74.6 million as at December 31, 2012, primarily due to decrease in the outstanding commitment for investment to Yan Hua Hospital Group. The Group made an additional RMB10.0 million investment in Yan Hua Hospital Group in July 2013.

Financial Instruments

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

Gearing Ratio

On the basis of total interest-bearing liabilities divided by total assets, the Group's gearing ratio was 9.4% (FY2012: 23.4%).


北京燕化医院
Beijing Yanhua Hospital
创新 坚持 分享

Advanced Medicine, Trusted Care

Directors and Senior Management

Directors

Executive Directors

Mr. Liang Hongze, aged 42, is the Chairman of our Board of Directors and our Chief Executive Officer. He is also a member of the Nomination Committee of the Company. Mr. Liang joined Phoenix Hospital Management (Beijing) Co., Ltd. (currently known as Beijing Wantong) in March 2004. Since March 2004, Mr. Liang has acted in a variety of roles in our Group, including investment director, Chief Financial Officer and general manager of the Group before his appointment to the Chairman of the Board of Directors and the Chief Executive Officer of our Company in February 2013.

Before joining us, Mr. Liang worked for over 10 years in finance and investment management. Mr. Liang served as the investment director at Shanghai Chunda Investment Management Co., Ltd. (上海淳大投資管理有限公司), an investment and asset management company, from March 2002 to July 2004, senior manager with the investment banking division of Industrial Securities Co., Ltd. (興業證券股份有限公司), a company engaging in securities brokerage and investment, from September 2000 to February 2002 and an accountant at China Financial Computerization Corp (中國金融電子化公司), a subsidiary of PBOC which engages in research, development and supply of softwares and information technology systems for financial institutions, from July 1993 to August 1997. Mr. Liang received a Master's degree in Finance from the Graduate School of PBOC (中國人民銀行總行金融研究所研究生部) in Beijing in October 2000 and a Bachelor's degree in Investment Management from Dongbei University of Finance and Economics (東北財經大學) in Dalian in July 1993.

Ms. Xu Jie, aged 50, is our founder, a Controlling Shareholder and the Executive Director of the Board of Directors. Ms. Xu Jie was appointed as chairman of the board of directors of Beijing Phoenix in 2007, and is primarily responsible for directing the strategic development and planning of our Group. Leveraging her extensive experience in the hospital management and healthcare service industry, Ms. Xu Jie founded our primary operating subsidiary, Beijing Phoenix, in November 2007.

Prior to the establishment of Beijing Phoenix, Ms. Xu Jie participated in the successful hospital reforms of both Jian Gong Hospital and Yan Hua Hospital and acquired significant equity interest in both hospitals. She served as the administrator of Jian Gong Hospital from 2000 to 2007. She was the legal representative and administrator of Dalian New Century Hospital (大連新世紀醫院), a private general hospital which was then owned by Ms. Xu Jie, from 1998 to 2000, Shenzhen Phoenix Hospital (深圳鳳凰醫院) from 1995 to 1998 and the Traumatic Hospital of Jilin (吉林市創傷醫院), a not-for-profit Grade II general hospital, from 1988 to 1995. Ms. Xu Jie obtained her professional title as an associate chief doctor from the Beijing Committee of Senior Professionals and Technicians (北京市高級專業技術職務評審委員會) in Beijing in July 1999. Ms. Xu Jie attended Jilin Professional Medical University (吉林職工醫科大學) in Jilin to study traditional Chinese medicine from September 1985 to July 1988.

Ms. Xu Jie is the mother of Ms. Xu Xiaojie, controlling and substantial shareholder of the Company.

Mr. Zhang Liang, aged 45, is the Vice Chairman of our Board of Directors and the general manager of Beijing Phoenix. He is also a member of the Remuneration Committee of the Company. Mr. Zhang joined our Group in February 2013 and is primarily responsible for hospital project planning and investment of our Group. Prior to joining us, Mr. Zhang served in many positions at the Beijing TV Station (北京電視台), one of the major TV stations in China, including journalist, producer, deputy director, director and then vice editor-in-chief, through which Mr. Zhang has gained extensive experience in operation management, public relations and strategic planning. Mr. Zhang was granted special government allowances from the State Council (國務院政府特殊津貼) and was the winner of Changjiang Taofen Awards (Changjiang Series) (長江韜奮獎(長江系列)) in 2007, the highest level of national journalist award issued by the All-China Journalists Association. Mr. Zhang received a Master's degree in Film Art and Technology from Beijing Normal University (北京師範大學) in Beijing in June 1997 and a Bachelor's degree in Philosophy from China Renmin University (中國人民大學) in Beijing in July 1990.

Mr. Xu Zechang, aged 51, is an Executive Director and the vice general manager of the Group. Mr. Xu joined Phoenix Hospital Management (Beijing) Co., Ltd. (currently known as Beijing Wantong) in 2004 and is responsible for overall hospital operation and clinical development of our in-network hospitals. Mr. Xu has acted as the executive administrator of Wuxi New District Hospital (無錫新區醫院) from May 2004 to May 2005, vice administrator of Jian Gong Hospital from May 2005 to May 2007, executive administrator of Yan Hua Hospital from May 2007 to December 2010, and the executive administrator of Mentougou Hospital from October 2011 to the present. Mr. Xu has experience as an attending doctor, vice director doctor, vice director of a Cardiology Department and an acting director of Cardiology Department at the General Hospital of China PLA Beijing Military Region (中國人民解放軍北京軍區總醫院), a Grade III general hospital, from 1991 to 2003. From 1984 to 1991, Mr. Xu was a resident doctor at the General Hospital of the People's Liberation Army of China (中國人民解放軍總醫院), the largest Grade III general hospital affiliated to the People's Liberation Army of China.

Mr. Xu attended the Military Medical School of People's Liberation Army of China (中國人民解放軍軍醫進修學院) in Beijing in July 2006 and July 1991 respectively to study Medicine. He obtained his bachelor degree in military surgeon from Southern Medical University (南方醫科大學) (formerly known as First Military Medical University of People's Liberation Army of China (中國人民解放軍第一軍醫大學) in Guangzhou in July 1984.

Mr. Jiang Tianfan, aged 33, is our Executive Director, Chief Financial Officer and Secretary of Board of Directors. Mr. Jiang joined the Group in 2008 and has been an executive director since August 2009, and was appointed as the Chief Financial Officer of the Company in November 2011. Mr. Jiang is primarily responsible for overall financial management, capital investment and ancillary services business of our Group. He also served as the general manager of Jian Gong Hospital from December 2010 to October 2011 and the general manager of Yan Hua Hospital from July 2010 to October 2010. Prior to joining us, Mr. Jiang served in several positions at the New Oriental Education & Technology (Group) Co., Ltd. (北京新東方教育科技(集團)有限公司), an education group mainly focusing on foreign language training for Chinese students to study abroad, from June 2002 to 2007, including as director of the Domestic and International Exams Department of the Nanjing New Oriental School (南京新東方學校國內外考試部) from June 2002 to May 2005 and the general manager of the Beijing New Oriental School Elite English Center (北京新東方Elite精英英語中心) from June 2005 to July 2007. Mr. Jiang received an MBA degree from Olin Business School at Washington University in St. Louis in the United States in May 2009 and a Bachelor's degree of Law from Shanghai International Studies University (上海外國語大學) in Shanghai in July 2003.

Directors and Senior Management (Continued)

Non-Executive Directors

Mr. Yang Huisheng, aged 46, was appointed as a non-executive Director of the Company in September 2013. Mr. Yang has been a senior partner at the Shenzhen Tiantu Investment, a private equity investment company, since July 2007. Prior to joining the Shenzhen Tiantu Investment, Mr. Yang was the chief economist at Zhongguancun Xingye (Beijing) Investment Management Co., Ltd. (中關村興業(北京)投資管理有限公司), a private equity investment company, from 2004 to 2007. Between 2001 and 2003, Mr. Yang served as the vice general manager at CNI Securities Co., Ltd (北方證券有限責任公司), a former securities broker and investment bank. Mr. Yang worked at the finance management division of the PBOC, the central bank of China, from March 1993 to November 1994, and later served in the non-banking financial institution regulation division of the PBOC between October 1996 and March 2001. He was an officer at the World Bank's Representative Office in China between November 1994 and October 1996. Mr. Yang also served as a mathematics teacher at Xinjiang Industrial University (新疆工學院) (which later merged into Xinjiang University (新疆大學) in 2001) during 1987 to 1990.

Mr. Yang received a Doctor's degree in Economics from the Graduate School of the Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing in June 1998 and a Master's degree in International Finance from the Graduate School of PBOC in Beijing in September 1993. Mr. Yang received a Bachelor's degree of Science in Mathematics from Lanzhou University (蘭州大學) in Lanzhou in June 1987.

Mr. Zhu Zhongyuan, aged 43, was appointed as a non-executive Director of the Company in September 2013. He has been a managing director at the Shanghai Greenwoods Investment Management Co., Ltd. (上海景林投資管理有限公司), a private equity investment company, since June 2011. He received a Doctor's degree in Philosophy from University of Massachusetts in the United States in June 2001 and an MBA degree from the Haas School of Business at University of California Berkeley in the United States in December 2005.

Independent Non-Executive Directors

Mr. Kwong Kwok Kong, aged 66, was appointed as an independent non-executive Director of the Company in September 2013. He is also the Chairman of the Audit Committee of the Company. He is currently the chief executive officer of Pok Oi Hospital, a well-established non-profit hospital in Hong Kong. Pok Oi Hospital, founded in 1919, has a total of 74 service units providing western hospital services, dental and traditional Chinese medicine treatments, secondary and primary schools, kindergartens, residential and day care elderly centres, children and family centres. As chief executive officer, Mr. Kwong has been providing corporate governance and management support to the board of directors for development, management and supervision of these units for the past nine years. He initially joined Pok Oi Hospital as an Internal Audit Manager in 2003.

Before joining Pok Oi Hospital, Mr. Kwong served as Principal Auditor of the Audit Commission of the government of the Hong Kong Special Administrative Region. Mr. Kwong had served in the Audit Commission since 1980. Mr. Kwong is a Member of the Hong Kong Institute of Certified Public Accountants since 1982.

Ms. Cheng Hong, aged 44, has been appointed as an independent non-executive Director of the Company in September 2013. She is also the Chairperson of the Nomination Committee and a member of the Audit Committee of the Company. Ms. Cheng has been the marketing director and the general manager of market management department at CITIC Trust Co., Ltd. (中信信託有限責任公司), a Chinese national non-banking financial institution primarily engaging in trust business, since May 2010. Prior to joining CITIC Trust, she served in various roles, including chairman of the board of supervisors, general manager of Orient Fund Management Co., Ltd. (東方基金管理有限責任公司), a company primarily engaging in securities fund raising and sales and asset management, from June 2004 to May 2010. From October 2000 to June 2004, Ms. Cheng worked in Northeast Securities Co., Ltd. (東北證券有限責任公司), a securities broker and investment bank, as the general manager of its Beijing branch and as an assistant to the chief executive officer, where she was responsible for the daily operation of its Beijing branch and the preparatory work in connection with establishing Orient Fund Management Co., Ltd. Between December 1999 and October 2000, Ms. Cheng was the vice general manager of Changchun Jiefang Road Branch of Northeast Securities Co., Ltd. (東北證券有限責任公司長春解放大路證券營業部) (formerly known as Changchun Jiefang Road Branch of Jilin Province Trust Co., Ltd. (吉林省信託投資公司長春解放大路證券營業部)) where she was responsible for the daily operation of the sales department. Ms. Cheng served as a credit staff at the real estate credit department of Jilin Branch of China Construction Bank (建設銀行吉林省分行), between July 1999 and December 1999, and a credit staff at the real estate credit department of Hebei Branch of China Construction Bank (建設銀行河北省分行) from July 1992 to July 1999. China Construction Bank is the second largest commercial bank in China.

Ms. Cheng was a visiting scholar at the Wharton School of the University of Pennsylvania in the United States from March 2009 to June 2009. Ms. Cheng received an MBA degree from Cheung Kong Graduate School of Business in Beijing in March 2006, a Master's degree in Accounting from Research Institute for Fiscal Science of the Ministry of Finance in Beijing in October 2003, and a Bachelor's degree in Engineering from Agricultural University of Hebei (河北農業大學) in Baoding in July 1992.

Mr. Wang Bing, aged 38, was appointed as an independent non-executive Director of the Company in September 2013. He is also the Chairman of the Remuneration Committee and a member of the Nomination Committee of the Company. He is currently the managing partner of Beijing JunZeJun Law Offices (北京市君澤君律師事務所). Mr. Wang has been admitted to practice law since July 2001. Mr. Wang has worked at Beijing JunZeJun Law Offices since July 2003, where he served as attorney-at-law, partner, senior partner and managing partner. Prior to joining JunZeJun Law Offices, Mr. Wang began to practice law since July 2001. Mr. Wang specializes in various areas of law, including public offerings and listings on the main board in mainland China, overseas offerings and placement of overseas enterprises involved with domestic equity, offerings and listings of China-controlled companies on the Hong Kong stock market, private equity financings and placements, acquisitions and reverse mergers by listed companies, and share incentive schemes. Mr. Wang received a Bachelor's degree in Law from Law School of Dongbei University of Finance & Economic (東北財經大學) in Dalian in June 1998.

Mr. Sun Jianhua, aged 38, was appointed as an independent non-executive Director of the Company on September 2013. He is also a member each of the Audit Committee and Remuneration Committee of the Company. Mr. Sun is currently a managing director of the investment banking division of Guosen Securities Co., Ltd. (國信證券股份有限公司) and has been working there since August 2005. Prior to joining Guosen Securities Co., Ltd., Mr. Sun had served at various investment banks and securities companies, including Daton Securities Co., Ltd. (大通證券股份有限公司) from April 2003 to July 2005, Industrial Securities Co., Ltd. (興業證券股份有限公司) from January 2001 to March 2003, and CITIC Securities Co., Ltd. (中信證券股份有限公司) from March 1999 to December 2000. Mr. Sun received a Master's degree in International Finance from the Graduate School of PBOC in Beijing in April 1999 and a Bachelor's degree in Transportation Economics from Beijing Jiaotong University (北京交通大學) (formerly known as Northern Jiaotong University (北方交通大學)) in Beijing in July 1996.

Senior Management

For the biography of Mr. Liang Hongze, Mr. Zhang Liang, Mr. Xu Zechang and Mr. Jiang Tianfan, see "Directors — Executive Directors".

Mr. Cheng Libing, aged 49, is the executive general manager of our Group. Mr. Cheng joined our Group in September 2010 and is primarily responsible for daily operations of our Group. Mr. Cheng served as the vice general manager at Beijing Huaren Intech Hospital Management Consulting Co., Ltd. (北京華仁英智醫院管理諮詢有限公司), an investment and hospital management company, from 2006 to 2008 and the vice general manager for all of Beijing Huaren Intech Hospital Management Consulting Co., Ltd., Beijing Intech Eye Hospital Co., Ltd. (北京英智眼科醫院有限公司) and Intech Medical Chain (英智醫療連鎖機構) from 2008 to 2010. From 1999 to 2002, he has served various positions at Beijing Kangchen Pharmaceutical Co., Ltd. (北京康辰醫藥發展有限公司), including general manager assistant. Mr. Cheng also worked as a resident doctor at Dongzhimen Hospital Affiliated to Beijing University of Traditional Chinese Medicine (北京中醫藥大學附屬東直門醫院), a general traditional Chinese medicine hospital, from 1988 to 1998. Mr. Cheng received a Bachelor's degree in Traditional Chinese Medicine from Beijing University of Traditional Chinese Medicine (北京中醫藥大學) in Beijing in July 1988.

Mr. Zhang Xiaodan, aged 38, is the vice executive general manager of our Group. Mr. Zhang joined our Group in November 2010 and is primarily responsible for managing our supply chain business and project investments. Prior to taking his current position, Mr. Zhang served as the vice general manager of our Group. Since June 2008 and prior to joining us, Mr. Zhang worked as a senior manager at CITIC Trust Co. Ltd. (中信信託有限責任公司), during which he temporarily served for a year as the vice director of the Medical Devices Industry Development Group at High and New Technology Industrial Development Zone of Ningbo (寧波國家高新技術產業開發區醫療器械業發展領導小組) where he gained extensive experience in the pharmaceutical industry investment and financial investment management. From April 2006 to May 2008, Mr. Zhang worked at the Pharmaceutical Certification Management Center of the State Food and Drug Administration (國家食品藥品監督管理局藥品認證管理中心), during which he was responsible for certification and inspection of pharmaceutical products. From July 1998 to June 2000, Mr. Zhang worked at Xiyuan Hospital of China Academy of Traditional Chinese Medical Sciences (中國中醫科學院西苑醫院), a Grade III general traditional Chinese medicine hospital, as an associate researcher. Mr. Zhang received a Bachelor's degree in Microbiology from Shandong University (山東大學) in Jinan in July 1998 and completed a training program on health care at Harvard Medical School in the United States in June 2001.

Mr. Shan Baojie, aged 42, is the vice general manager of our Group. Mr. Shan joined our Group in October 2011, and is primarily responsible for managing investments in connection with our IOT hospitals. Prior to joining us, he had served in a variety of roles at the State Food and Drug Administration from 1998 to 2011. Mr. Shan also completed a training program at the World Health Organization in 2007, where he gained experience in the U.S. pharmaceutical supervision and management system. From July 1992 to July 1998, Mr. Shan worked in the general manager's office of the Northeast Pharmaceutical Group Co., Ltd. (東北製藥集團公司), a Chinese listed pharmaceutical manufacturer. Mr. Shan received a Master's degree in Accounting from Renmin University (中國人民大學) in Beijing in June 2002 and a Bachelor's degree in Chemistry from Wuhan University (武漢大學) in Wuhan in July 1992.

Mr. Chen Qianjin, aged 41, is the vice general manager of our Group. Mr. Chen joined Beijing Phoenix United Hospital Management Joint Stock Co., Ltd. (currently known as Beijing Phoenix) in July 2007, and he is currently the general manager of Beijing Wanrong and Beijing Jiayi and responsible for management of medical devices and medical consumables supply chain business. From 2002 to 2007, Mr. Chen worked at Beijing Haihong Yaotong Electronic Commerce Co., Ltd. (北京海虹藥通電子商務有限公司), a company primarily serving as the bidding agent for pharmaceuticals and medical devices manufacturers, where he gained extensive experience in running pharmaceutical company and marketing. Mr. Chen received a Master's degree of Management Science and Engineering from Dalian University of Technology (大連理工大學) in Dalian in June 2001 and a Bachelor's degree in Pharmacy from Second Military Medical University of People's Liberation Army of China (中國人民解放軍第二軍醫大學) in Shanghai in July 1994.

Mr. Or Wing Kee, aged 45, is the vice general manager and a joint company secretary of our Group and joined our Group in January 2013. Mr. Or has over 20 years of experience in the investment banking and direct investment industry. He is responsible for corporate finance, financial management and project investment of our Group and our business operation in Hong Kong. From August 2011 and prior to joining us, Mr. Or served as head of the corporate finance advisory department at KDB Asia Limited, a Korean financial institution. Before that, Mr. Or was a director of Ivory Capital Private Limited, an investment bank, from July 2005 until August 2011. From June 2002 to April 2005, Mr. Or worked at Deloitte & Touche Corporate Finance Ltd.. Mr. Or was an investment manager at Temasek Holdings Ltd. from January 1999 to May 2000 and an investment manager at Prime Partners Asset Management (HK) Ltd., a financial services group providing investment management, advisory and capital raising, from May 2000 to April 2002, where he was responsible for evaluation, implementation and monitoring of direct investment in China and Hong Kong. From September 1997 to February 1999, Mr. Or was an assistant manager at Barclays Capital Asia Limited. Mr. Or also served as a manager of investment banking department at Yamaichi International (H.K.) Ltd., a Japanese investment bank, from July 1993 to September 1997. Mr. Or received a Master's degree in Finance from the Chinese University of Hong Kong in Hong Kong in December 1998 and a Bachelor's degree in Economics from the University of Hong Kong in Hong Kong in December 1992. Mr. Or is a CFA charterholder since 2002.

The Directors are pleased to present this report and the audited consolidated financial statements of the Group for the year ended December 31, 2013.

Principal Activities

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 activities of its principal subsidiaries are set out in note 42 to the consolidated financial statements.

Results and Dividend

The results of the Group for the year ended December 31, 2013 are set out in the consolidated statement of profit or loss and other comprehensive income on page 51 of this annual report.

The Board proposed payment of a final dividend of HK$6.7 cents per share for FY2013 (FY2012: nil).

Use of Proceeds from IPO

The shares of our Company were listed on the main board of the Hong Kong Stock Exchange on November 29, 2013 and on December 1, 2013 with net proceeds from the IPO of approximately HK$1,634 million (equivalent to RMB1,292.4 million) after deducting underwriting commissions and all related expenses. As at the date of this annual report, the Company does not anticipate any change to its plan on the use of proceeds as stated in the Prospectus.

Share Capital

Details of the movements in the share capital of the Company for the year ended December 31, 2013 are set out in note 34 to the consolidated financial statements in this annual report.

Reserves

Details of the movements in the reserves of the Group for the year ended December 31, 2013 are set out in the consolidated statement of changes in equity on page 54 of this annual report.

Distributable Reserves

As at December 31, 2013, the Company has no distributable reserves available for distribution to the shareholders.

Under the Companies Law of the Cayman Islands, and subject to the provisions of the Articles of Association, the share premium account is distributable to the shareholders, provided that immediately following the proposed distribution of dividend, the Company can pay its debts as they fall due in the ordinary course of business.

Property, Plant and Equipment

Details of the movements during the year in the Group's property, plant and equipment are set out in note 18 to the consolidated financial statements in this annual report.

Financial Highlights

Summary of the results and of the assets, liabilities and non-controlling interests of the Group for the past four financial years are set out on page 112 of this annual report.

Borrowings

Details of the borrowings of the companies under the Group are set out in note 31 to the consolidated financial statements in this annual report.

Donations

Donations made by the Group during the year amounted to approximately RMB23,000.

Pledge of Assets

As at December 31, 2013, the borrowing from CITIC Trust Co., Ltd of RMB200 million was secured by our 53.51% equity interest in Jian Gong Hospital. The borrowing contract was terminated on January 17, 2014, and the remaining balance of borrowing as at December 31, 2013 was fully settled on the same date.

Major Customers and Suppliers

During the year ended December 31, 2013, sales to the Group's four largest customers in aggregate accounted for approximately 46.9% (2012: 46.8%) of the total sales for the year and sales to the largest customer accounted for approximately 18.8% (2012: 25.5%) of total sales.

Purchases from the Group's five largest suppliers in aggregate accounted for approximately 58.9% (2012: 56.3%) of the total purchases for the year and purchases from the largest supplier accounted for approximately 43.1% (2012: 45.5%) of total purchases.

To the best knowledge of the Directors, none of the Directors or any of their connected persons or shareholders or associates (as defined in the Listing Rules) that owned more than 5% of the Company's share capital, had any direct or indirect interest in our major customers or the five largest suppliers of the Group during the year ended December 31, 2013.

Directors

The Directors up to the date of this Directors' report are as follows:

Executive Directors

LIANG Hongze *(Chairman of the Board and Chief Executive Officer)*
XU Jie
ZHANG Liang *(Vice Chairman and General Manager)*
XU Zechang *(Vice General Manager)*
JIANG Tianfan *(Chief Financial Officer and Secretary of the Board)*

Non-Executive Directors

YANG Huisheng
ZHU Zhongyuan

Independent Non-Executive Directors

KWONG Kwok Kong
CHENG Hong
WANG Bing
SUN Jianhua

In accordance with article 87(1) of the Articles of Association, Messrs. Liang Hongze, Zhang Liang, Xu Zechang and Ms. Xu Jie will retire by rotation at the forthcoming annual general meeting. All the retiring directors, being eligible, will offer themselves for re-election thereat.

None of the directors has any financial, business, family or other material/relevant relationships with one another.

The Biography of the Directors and Senior Management

The biographical details of the Directors and the senior management of the Company are set out in the directors and senior management on pages 22 to 28 of this annual report.

Services Contracts of the Directors

Each of our executive Directors, has entered into a service contract with the Company on September 1, 2013 for a term of three years commencing on September 1, 2013, subject to termination before expiry by either party giving not less than three months' notice in writing to the other. Under these service contracts, they shall not be entitled to remuneration and benefits as the executive Directors of the Company.

Each of our non-executive Directors, has entered into a service contract with our Company on September 1, 2013. Each service contract is for an initial term of three years commencing from September 1, 2013, unless terminated by either party giving at least three months' notice in writing. Under the service contract with our non-executive Directors, they shall not be entitled to remuneration and benefits as the non-executive Directors of the Company.

Each of our independent non-executive Directors, has entered into a letter of appointment with our Company on September 1, 2013. Each letter of appointment shall commence from September 1, 2013 for an initial term of three years and shall be terminable by giving the other party not less than three months' prior notice in writing. Under these letters of appointment, each of Ms. Cheng Hong, Mr. Wang Bing, Mr. Sun Jianhua and Mr. Kwong Kwok Kong will receive an annual directors' fee of HK$300,000, HK$300,000, HK$300,000 and HK$500,000 respectively.

Save as disclosed above, none of our Directors proposed for re-election at the forthcoming annual general meeting has or is proposed to have a service contract with any member of our Group which is not determinable by the employer within one year without payment of compensation (other than the statutory compensation).

Remuneration of the Directors and Five Highest Paid Individuals

Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in note 15 to the consolidated financial statements in this annual report.

Employee and Remuneration Policy

As at December 31, 2013, the Group had a total of 861 full time employees (December 31, 2012: 829 employees). For FY2013, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB108.5 million (FY2012: RMB87.1 million).

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

The Group has also adopted a share option scheme to provide an incentive or reward to eligible participants for their contribution or potential contribution to the Company and/or any of its subsidiaries.

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

The Group has also adopted a share option scheme to provide an incentive or reward to eligible participants for contribution or potential contribution to the Company and/or any of its subsidiaries.

The remuneration of the Directors of the Company are reviewed by the remuneration committee of the Company and approved by the Board, having regard to the relevant Director's experience, responsibility, workload and the time devoted to the Group; the Company's operating results and comparable market statistics.

Independence of the Independent Non-Executive Directors

The Company has received from each of the independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company believes that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

Non-Voting and Non-Competition Undertakings

As disclosed in the Prospectus, Yan Hua Phoenix, as the owner (舉辦人) of Yan Hua Hospital Group, is entitled to nominate members to the executive committee of the Yan Hua Hospital Group. Our Controlling Shareholders, Beijing Wantong and Yan Hua Phoenix have provided a non-voting undertaking in favor of the Group in the event there is any conflict or competition or potential conflict or potential competition between Yan Hua Hospital Group and the Group, our Controlling Shareholders, Beijing Wantong and Yan Hua Phoenix shall procure the members of the executive committee nominated by Yan Hua Phoenix to abstain from voting.

In addition, each of the Controlling Shareholders has undertaken to the Company in the deed of non-competition that, amongst other things, it or she is not and will not engaged in, or interested in any business which, directly or indirectly, competes or may compete with our business and has confirmed in writing to the Company of their compliance with the deed of non-competition for disclosure in this annual report during the period from the date of Listing to December 31, 2013.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at December 31, 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in shares

Name of Director/chief executive	Capacity	Number of ordinary shares held (long position)	Approximate percentage of shareholding %
Liang Hongze	Interest in Controlled Corporation	62,360,000	7.48
Xu Jie	Family interest in Controlled Corporation	277,360,000	33.27
Jiang Tianfan	Personal beneficial interest in corporate shareholder	62,360,000	7.48
Xu Zechang	Personal beneficial interest in corporate shareholder	62,360,000	7.48
Zhang Liang	Personal beneficial interest in corporate shareholder	62,360,000	7.48

Notes:

1. The 62,360,000 share are owned by Hyde International Investment Limited, which is controlled by Liang Hongze.

2. The 277,360,000 shares are owned by Speed Key Limited, which is entirely owned by Xu Xiaojie, the daughter of Xu Jie.

Save as disclosed above, as at December 31, 2013, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or (c) were required, pursuant to the Model Code to be notified to the Company and the Hong Kong Stock Exchange.

Share Option Scheme

The Company did not have any share option scheme as at December 31, 2013.

1. Purpose

The purpose of the Share Option Scheme is to provide an incentive or reward for Eligible Participants (defined below) for their contribution or potential contribution to the Company and/or any of its Subsidiaries.

2. Eligible Participants

The Board may subject to and in accordance with the provisions of the Share Option Scheme and the Listing Rules, at its discretion grant options to any full-time or part-time employees, consultants or potential employees, consultants, executives or officers (including executive, non-executive and independent non-executive directors) of the Company or any of its Subsidiaries and any suppliers, customers, consultants, agents and advisers who, in the absolute discretion of the Board has contributed or will contribute to our Group (collectively "Eligible Participants").

3. Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from September 30, 2013, after which time no further option will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Share Option Scheme.

4. Maximum number of Shares

The maximum number of shares in respect of which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not, in aggregate, exceed 80,362,700, being 10% of the issued share capital of the Company as of the Listing Date (assuming the Over-Allotment Option is not exercised).

5. Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of options granted to any grantee (including exercised, cancelled and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the total shares in issue.

6. Offer period and amount payable for options

An offer of the grant shall remain open for acceptance by the Eligible Participant for a period of not more than 14 days from the date on which it is made provided that no such offer shall be open for acceptance after the expiry of the effective period of the Share Option Scheme. An option shall be deemed to have been granted to (subject to certain restrictions in the Share Option Scheme), and accepted by, the Eligible Participant (the "Grantee") and to have taken effect upon the issue of an option certificate after the duplicate offer document comprising acceptance of the option duly signed by the Grantee (the "Offer Document") together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant of the option shall have been received by our Company on or before the last day for acceptance. The remittance is not in any circumstances refundable and shall be deemed as part payment of the exercise price. Once accepted, the option is granted as from the date on which it was offered to the relevant Grantee.

7. Minimum period for which an option must be held before it can be exercised

There is no general requirement that an option must be held for any minimum period before it can be exercised. The period during which an option may be exercised in accordance with the terms of the Share Option Scheme ("Option Period") shall be the period of time to be notified by our Board to each Grantee, which the Board may in its absolute discretion determine, save that such period shall not be more than ten years commencing on the date upon which the vesting period as described in the respective Grantee's Offer Document commences.

8. Basis of determining the subscription price

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the "Exercise Price") shall be a price determined by the Board but in any event shall be at least the highest of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date on which the option is offered (the "Offer Date");

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date; and

(iii) the nominal value of the Shares.

During the year, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

Director's Interests in Competing Businesses

Saved as disclosed in this report, as of December 31, 2013, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

Interests of Substantial Shareholders and Other Persons in Shares and Underlying Shares

As at December 31, 2013, the following persons (other than the Directors and chief executives of the Company) had or were deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company.

Name of Shareholder	Capacity	Number of ordinary shares held (long position)	Approximate percentage of shareholding %
Speed Key Limited[1]	Beneficial Owner	277,360,000	33.27
Xu Xiaojie[1]	Interest in Controlled Corporation	277,360,000	33.27
Senmart Investments Limited	Interest in Controlled Corporation	145,920,000	17.50
Zhu Zhiwei	Interest in Controlled Corporation	179,120,000	21.48
Hyde International Investment Limited	Beneficial Owner	62,360,000	7.48
Liang Hongze	Interest in Controlled Corporation	62,360,000	7.48
Green Talent Investments Limited[2]	Beneficial Owner	58,720,000	7.04
Greenwoods Bloom Fund II, L.P.[2]	Interest in Controlled Corporation	58,720,000	7.04
Greenwoods Bloom Fund, L.P.[2]	Interest in Controlled Corporation	58,720,000	7.04
Tang Hua[2]	Interest in Controlled Corporation	58,720,000	7.04

Notes:

1. Speed Key Limited is entirely owned by Xu Xiaojie, daughter of Xu Jie.

2. Green Talent Investments Limited is controlled by Greenwoods Bloom Fund II, L.P., which is in turn controlled by Greenwoods Bloom Fund, L.P., Greenwoods Bloom Fund, L.P. is owned by Tang Hua.

Other than as disclosed above, as at December 31, 2013, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to Section 336 of the SFO.

Non-exempt Continuing Connected Transactions

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

Given that Xu Xiaojie and Xu Jie, our Controlling Shareholders, collectively own the entire equity interest in Beijing Wantong. and Beijing Wantong indirectly owns the entire equity interest in Yan Hua Phoenix, which in turn is the owner of Yan Hua Hospital Group. As such, Yan Hua Phoenix and Yan Hua Hospital Group are "connected persons" under Chapter 14A of the Listing Rules. Accordingly the transactions under the Yan Hua IOT Agreement and the Sales and Supply Agreement constituted connected transactions of the Company.

The Yan Hua IOT Agreement and the Sales and Supply Agreement mentioned above were granted a waiver from strict compliance with the announcement requirements as may otherwise be required of the Company under Chapter 14A of the Listing Rules by the Stock Exchange, which was disclosed in the Prospectus.

Yan Hua IOT Agreement

Pursuant to the Yan Hua IOT Agreement, the Group will provide management services to Yan Hua Hospital for 2013, 2014 and 2015, subject to respective caps of RMB17.8 million (of which RMB1.8 million is investment repayment), RMB28.5 million (of which RMB2.0 million is investment repayment) and RMB37.4 million (of which RMB3.6 million is investment repayment).

For the year ended 31 December 2013, the management service fee and investment repayment from Yan Hua Hospital Group amounted RMB23.0 million (of which RMB1.8 million is investment repayment), which has exceeded the relevant annual cap. Yan Hua Hospital Group witnessed stronger revenue growth but slower increase in cost of sales and services and operating expenses, leading to a higher net profit before tax than that the Group had expected when setting the annual cap on the maximum management fee and investment repayment for the financial year ending 31 December 2013.

Sales and Supply Agreement

Pursuant to the Sales and Supply Agreement, the Group will provide pharmaceuticals, medical device and medical consumables to Yan Hua Hospital Group for 2013, 2014 and 2015, subject to respective caps of RMB200 million, RMB260 million and RMB330 million.

For the year ended 31 December 2013, the actual transacted amount from Yan Hua Hospital Group was RMB145.2 million, which has not exceeded the relevant annual cap.

Save as disclosed above, none of the related-party transactions or continuing related-party transactions set out in note 38 to the financial statements fall within the meaning of discloseable connected transactions or continuing connected transactions under the Listing Rules. The connected and continuing connected of the Company are in compliance with the disclosure requirements of Chapter 14A of the Listing Rules.

Annual review of continuing connected transactions

The Company's auditor was engaged to report on the Group's continuing connected transactions, in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, to review the Group's continuing connected transactions as required by Rule 14A.38 of the Listing Rule. As noted in the results of the auditor's work, the management fee of RMB21,248,000 from Yan Hua Hospital Group has exceeded the maximum aggregate annual cap of RMB 16,000,000 disclosed in the Prospectus.

The independent non-executive Directors of the Company has reviewed the above-mentioned continuing connected transactions and confirmed that for the year of 2013:

(i) these transactions were entered into in the ordinary and usual course of business of the Group;

(ii) these transactions were entered into either on normal commercial terms, or on terms no less favourable to the Company than terms available to or from independent third parties;

(iii) these transactions were entered into on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(iv) with respect to the aggregate amount of each of the continuing connected transaction set out above, except for the management fee from Yan Hua Hospital Group of RMB21,248,000, the continuing connected transitions are within the annual caps as set out in the Prospectus. Pursuant to Rule 14A.36 (10) of the Listing Rules, the Company should re-comply with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Contracts of Significance

Save as the Yan Hua IOT Agreement and the Sales and Supply Agreement as disclosed above, no contracts of significance to which the Company or any of its holding companies, subsidiaries or fellow subsidiaries, was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Event After the Reporting Period

On January 17, 2014, the borrowing from CITIC Trust of RMB200,000,000 was early settled. The unutilized borrowing facilities amounting to RMB100,000,000 was terminated accordingly.

A final dividend in respect of the year ended December 31, 2013 of HK$6.7 cent (2012: nil) per share has been proposed by the directors on March 28, 2014 and is subject to approval by the shareholders in the forthcoming general meeting.

Board Committees

Audit Committee

The Company established an audit committee in accordance with Rules 3.21 of the Listing Rules and the CG Code on November 4, 2013. The audit committee is mainly responsible for assisting the Board to give independent advice in respect of the financial reporting process, internal control and risk management system of the Group, supervising the audit process and performing other duties and responsibilities assigned by the Board.

The audit committee currently consists of 3 independent non-executive Directors, namely Kwong Kwok Kong, Cheng Hong and Sun Jianhua.

The audit committee, together with the management of the Company, has reviewed the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and reviewed the financial statements of the Group for the year ended December 31, 2013.

Remuneration Committee

The Company established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the CG Code on November 4, 2013.

As at December 31, 2013, the remuneration committee consisted of one executive Director, Mr. Zhang Liang, and two independent non-executive Directors, namely, Mr. Wang Bing and Mr. Sun Jianhua.

Nomination Committee

The Company established a nomination committee on November 4, 2013, mainly responsible for giving advice to the Board in respect of the appointment and removal of Directors. As at December 31, 2013, the nomination committee consisted of one executive Director, Mr. Liang Hongze and two independent non-executive Directors, namely, Ms. Cheng Hong and Mr. Wang Bing.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the Companies Law which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Model Code for Securities Transactions

At the Board meeting held on November 4, 2013, the Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as rules governing dealings by Directors in the listed securities of the Company.

Having made specific enquiry, the Company confirmed that all members of the Board complied with the Model Code during the period from the Listing Date to December 31, 2013. Senior managers, executives and staff who, because of their offices in the Company, are likely to possess inside information, have been requested to comply with the provision of the Model Code. No incident of non-compliance of the Model Code by the employees was noted by the Company.

Dividends

The Directors recommend to declare a final dividend of HK$6.7 cents per Share for the year ended December 31, 2013, payable to shareholders whose names appear on the register of members of the Company on June 16, 2014. Based on the number of issued Shares as at December 31, 2013, this represents a total distribution of approximately HK$55.9 million. Subject to the approval by shareholders at the annual general meeting on June 5, 2014, it is expected that the final dividend will be paid on or before June 27, 2014.

Closure of Register of Members

For determining the qualification of members to attend and vote at the annual general meeting to be held on Thursday, June 5, 2014, the register of members of the Company will be closed from Tuesday, June 3, 2014 to Thursday, June 5, 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify as members to attend and vote at the Meeting, investors are urged to lodge all transfers of shares accompanied by the relevant share certificates and transfer forms with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, May 30, 2014.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, June 12, 2014 to Monday, June 16, 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, June 11, 2014.

Code of Corporate Governance Practices

The Company has applied the principles as set out in the CG Code. Throughout the period from the Listing Date to December 31, 2013, save for those disclosed in the Corporate Governance Report, the Company has always complied with all the applicable provisions set out in the CG Code.

Details of the Corporate Governance Report are set out on pages 41 to 49 of this annual report.

Purchase, Sale or Redemption of the Company's Listed Securities

For the period from the Listing Date to December 31, 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Sufficiency of the Public Float

Based on the information publicly available and to the best of the Directors' knowledge, information and belief on the date of this annual report, the Company has always maintained sufficient public float since the listing of the Company's shares.

Auditors

The Company has appointed Deloitte Touche Tohmatsu as the auditors of the Company for the year ended December 31, 2013. A resolution will be proposed for approval by shareholders at the next annual general meeting to re-appoint Deloitte Touche Tohmatsu as the auditors of the Company.

On behalf of the Board
Liang Hongze
Chairman

Hong Kong, March 28, 2014

The Board is dedicated to establishing a sound corporate governance system for ensuring the formality and transparency of the procedures while safeguarding the interests of shareholders.

The Company has applied the principles as set out in the CG Code as its own code of corporate governance and confirms that it has complied with all material code provisions and most of the recommended best practices under the CG Code throughout the period from November 29, 2013 (the "Listing Date") to December 31, 2013, save for the deviations from code provisions A.1.1, A.2.1 and A.2.7 which was primarily due to the short period of time since the Listing Date of the Company's shares and are explained in the relevant paragraphs in this corporate governance report. The Company has committed to making necessary arrangements to comply with all the code provisions.

The Company will continue to review and enhance its corporate governance to ensure that it will continue to meet the requirements of the CG Code and the rising expectations of shareholders and investors.

The following sets forth a detailed discussion in relation to the corporate governance practices adopted and complied with by the Company during the year.

The Board

The Directors of the Company are accountable to all shareholders for their leadership and supervision over the Group's operation, and are committed to achieving the goal of increasing shareholders' value.

The Board currently comprises eleven Directors, including five executive Directors, two non-executive Directors and four independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors are set out on pages 22 to 26 of this annual report. The list of the Directors (by category) is also disclosed in all of the corporate communications issued by the Company dispatched from time to time in accordance with the Listing Rules.

Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

The non-executive Directors bring a wide range of business and financial expertise, experience and judgment to the Board. Through active participation at Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all the non-executive Directors have made various contributions to the effective development of the Company.

Corporate Governance Functions

The Board is responsible for the performance of the functions of corporate governance. Since the Listing Date to December 31, 2013, the Board has performed the functions set out in code provision D.3.1 in the CG Code.

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. Liang Hongze and the duties of the Chief Executive Officer are also discharged by Mr. Liang Hongze. Although the dual roles of Chairman and Chief Executive Officer is a deviation from the provision of Rule A.2.1 of the CG Code, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in an experienced and qualified person such as Mr. Liang Hongze provides the Company with strong and consistent leadership while allowing for effective and efficient planning and implementation of business decisions and strategies.

Under the leadership of Mr. Liang Hongze, Chairman and Chief Executive Officer of the Board, the Board is responsible for the approval and supervision of the Group's general development strategy, the sanction of the annual budget and business plans, the consent of material investment projects related to the Group's business development, the evaluation of the Group's performance and the supervision of the work of the management, and ensures that the Board acts in the best interests of the Group, operates effectively and performs the necessary duties, as well as discuss all the significant and appropriate issues of the Company's business in a timely manner. All the Directors are entitled to propose the inclusion of any item in the agenda of the board meeting for appropriate discussion. The Chairman of the Board has appointed the joint company secretaries to draft the Board meeting agendas. Under the assistance of the executive Directors and the joint company secretaries, the Chairman of the Board will ensure all the Directors are provided with sufficient and reliable information in a timely manner required for necessary analysis based on their expertise.

As the Chief Executive Officer of the Company, Mr. Liang Hongze has delegated sufficient authority for the operation and management of the Group's business to the executive Directors and other senior management members, who shall be in-charge of the daily management of the Group in every aspect, including the consistent implementation of the Board's resolutions, and be accountable to the Chief Executive Officer for the operations of various aspects of the Group's business, while the Chief Executive Officer shall be accountable to the Board for the Group's operations as a whole.

Board Meetings

According to code provision A.1.1 of the CG Code, board meetings should be held at least four times a year at approximately quarterly intervals. There was only one Board meeting held during the year ended December 31, 2013 as the Company was listed on November 29, 2013.

Throughout the year ended December 31, 2013, the Board has convened and held one Board meeting. Attendance records of the Directors at the Board meeting are set our as follows:

Name of the Directors	Number of meetings convened/attended
Executive Directors:	
Mr. Liang Hongze *(Chairman and Chief Executive Officer of the Board)*	1/1
Ms. Xu Jie	1/0
Mr. Zhang Liang	1/1
Mr. Xu Zechang	1/1
Mr. Jiang Tianfan	1/1
Non-executive Directors:	
Mr. Yang Huisheng	1/1
Mr. Zhu Zhongyuan	1/1
Independent non-executive Directors:	
Mr. Kwong Kwok Kong	1/0
Ms. Cheng Hong	1/0
Mr. Wang Bing	1/1
Mr. Sun Jianhua	1/1

The CG Code stipulates that "Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given". The Company has adopted the provisions of the CG Code and issues notices of meetings fourteen days before a Board meeting is held to allow all the Directors to have sufficient time and opportunity to attend the meeting. All meeting agendas, board papers, together with all applicable, complete and reliable information will be sent to all the Directors at least three days before a meeting is held. All the Directors may propose any business to be included in the agenda of the Board meetings and contact the joint company secretaries to ensure full compliance with all of the Board's procedures and applicable regulations. In general, the senior management members shall attend all the regular Board meetings and, if necessary, other Board and committee meetings to advise on the Company's business development, financial and accounting matters, statutory and regulatory compliance, corporate governance as well as other significant issues. The Board may, if appropriate, authorize the Directors to seek independent and professional advice at the expense of the Company. Matters discussed and resolved at Board meetings will be recorded in detail by the joint company secretaries who shall prepare and file the minutes or resolutions. Generally, draft minutes of Board meeting shall be issued to the Directors within reasonable time for their comments after such meeting is held, and the final version will be open for inspections by the Directors.

The Articles of Association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or their associates have a material interest.

Appointment and re-election of Directors

According to the Articles of Association of the Company, one-third of the Directors (or if their number is not a multiple of three, the number nearest to but no less than one-third) is required to retire by rotation, and shall be eligible for re-election and re-appointment. Directors who are required to retire by rotation shall be those who have held the longest term of office since their last appointment or re-election. Every Director shall be subject to retirement at the annual general meeting at least once every three years. Any other appointment, resignation, removal or re-designation of Directors will be timely disclosed to the shareholders by announcement and shall include in such announcement, the reasons given by the Director for his resignation.

Each of the non-executive Directors is engaged on a service contract for a term of three years and shall be subject to retirement by rotation once every three years.

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors of the Company for the year ended December 31, 2013 are set out in note 15 to the consolidated financial statements of this annual report.

Continuous Professional Development for Directors

Prior to the Listing Date, the Directors have been provided with the relevant induction to ensure that they have a proper understanding of the business and operations of the Company and that they are fully aware of the responsibilities and obligations as being a Director of a listing company as well as the compliance practice under the Listing Rules. Directors are kept updated on the statutory and regulatory development and changes in the business and the market so as to facilitate the discharge of their responsibilities. Continuous briefing and professional development for Directors will be arranged where necessary.

Board Diversity Policy

To comply with the new provisions in the CG Code on board diversity which became effective on September 1, 2013, the Board has adopted a policy concerning diversity of Board members (the "Board Diversity Policy"), which is achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience. of the Board members. The Board will review the Policy on a regular basis and discuss any revisions that may be required, and recommended any such revisions to the Board for consideration and approval.

All Directors have full and timely access to all relevant information, as well as the advice and services of the joint company secretaries, with a view to ensuring that the Board procedures and all applicable laws and regulations are followed. There are three committees established under the Board: namely the Nomination Committee, Remuneration Committee and Audit Committee. All Board committees of the Company are established with defined written terms of reference. The terms of reference of all the Board committees are posted on the Company's website and are available to shareholders upon request. In compliance with the Listing Rules, the terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee are also available on the Hong Kong Stock Exchange's website.

Nomination Committee

The Board has established the Nomination Committee on November 4, 2013 which comprises three Directors, with Ms. Cheng Hong (independent non-executive Director) as the chairman, and Mr. Liang Hongze (executive director) and Mr. Wang Bing (independent non-executive Director) being its committee members. Majority of the members are independent non-executive Directors.

The role and function of the Nomination Committee are set out in its terms of reference. Its primary responsibilities include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of, individuals nominated for directorships, assessing the independence of the independent non-executive Directors, making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executives.

The Nomination Committee had not convened any meeting during the period from the Listing Date to December 31, 2013 since the Company was only listed in November 2013.

As at the date of approval of this annual report, the Nomination Committee has convened one meeting. The particulars of the attendance of the Nomination Committee are set forth as follows:

Name of the members of the Nomination Committee	Number of meetings convened/attended
Chairman:	
Ms. Cheng Hong	1/1
Members:	
Mr. Liang Hongze	1/1
Mr. Wang Bing	1/0

Remuneration Committee

The Board has established the Remuneration Committee on November 4, 2013 which comprises three Directors, with Mr. Wang Bing (independent non-executive Director) as the chairman, and Mr. Sun Jianhua (independent non-executive Director) and Mr. Zhang Liang (executive Director) being its committee members. Majority of the members are independent non-executive Directors.

The roles and functions of the Remuneration Committee are set out in its terms of reference. Its primary responsibilities include reviewing and formulating policies in respect of remuneration structure for all Directors and senior management and making recommendations to the Board for its consideration.

As there has been no change to the remuneration policy and structure of the Directors and the senior management since the Listing Date, the Remuneration Committee did not convene any meeting during the period from the Listing Date to December 31, 2013.

As at the date of approval of this annual report, the Remuneration Committee has convened one meeting. The particulars of the attendance of the Remuneration Committee are set forth as follows:

Name of the members of the Remuneration Committee	Number of meetings convened/attended
Chairman:	
Mr. Wang Bing	1/1
Members:	
Mr. Sun Jianhua	1/1
Mr. Zhang Liang	1/1

Audit Committee

The Board has established the Audit Committee on November 4, 2013 which comprises three Directors, with Mr. Kwong Kwok Kong (independent non-executive Director) as the chairman, and Ms. Cheng Hong (independent non-executive Director) and Mr. Sun Jianhua (independent non-executive Director) being its committee members. All of the members are independent non-executive Directors. The Board considered that the members of the Audit Committee possess sufficient professional knowledge and experience of accounting and financial management for the performance of their responsibilities.

The roles and functions of the Audit Committee are set out in its terms of reference. Its primary responsibilities include serving as a focal point for communication between other Directors, the external auditors and the internal auditors (where an internal audit function exists) as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other financial and accounting matters as the Board determines from time to time, assisting the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group and overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

The Audit Committee did not convene any meeting during the period from the Listing Date to December 31, 2013. Going forward, the Audit Committee will meet at least twice a year, with the Company's auditors and will review the Group's annual results and annual report, the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management systems and processes, and the re-appointment of the external auditors.

As at the date of approval of this annual report, the Audit Committee has convened one meeting. The particulars of the attendance of the Audit Committee are set forth as follows:

Name of the members of the Audit Committee	Number of meetings convened/attended
Chairman:	
*Mr. Kwong Kwok Kong	1/1
Members:	
Ms. Cheng Hong	1/1
Mr. Sun Jianhua	1/1

* Certified Public Accountant

Model Code for Securities Transactions

At the Board meeting held on November 4, 2013, the Company adopted the Model Code as rules governing dealings by Directors in the listed securities of the Company.

Having made specific enquiry, the Company confirmed that all members of the Board complied with the Model Code during the period from the Listing Date to December 31, 2013. Senior managers, executives and staff who, because of their offices in the Company, are likely to possess inside information, have also been requested to comply with the provision of the Model Code and the Company confirmed that there was no incident of non-compliance of the Model Code by such employees.

Shareholding Interests of Senior Management Members

For the details of the shareholding interests and short positions of the Group's Directors and senior management members, please see the disclosure on Directors' interest on page 33 of this annual report.

Remuneration of External Auditors

For the year ended December 31, 2013, apart from the provisions of annual audit services, the Group's external auditors, Deloitte Touche Tohmatsu, were also the reporting accountants of the Company in relation to listing. During the year ended December 31, 2013, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

Items of auditors' services	**Amount** *(RMB)*
Audit services:	
Audit service in relation to listing	4,250,000
Annual audit service	2,300,000
Non-audit service:	
Tax advisory services	200,000
Total	6,750,000

The Audit Committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditors. Such appointment, re-appointment and removal are subject to the approval by the Board and the general meetings of the Company by the shareholders.

The statement of the independent auditors of the Company about their audit opinion and reporting responsibilities on the financial statements of the Company and the Group is set out in the independent auditors' report on page 50 of this annual report.

Directors' Responsibilities for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2013 which give a true and fair view of the state of affairs of the Group as well as the results and cash flow during that period.

The Directors consider that in preparing financial statements, the Group ensures statutory requirements are met and applies appropriate accounting policies that are consistently adopted and makes judgments and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

The Directors are responsible for ensuring that proper accounting records are kept so that the Group could prepare financial statements in accordance with statutory requirements and the Group's accounting policies. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities within the Group.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Internal Control

The internal control system has been designed to safeguard the assets of the Group, to assure the proper maintenance of accounting records, and to ensure the compliance with the relevant laws and regulations.

The Board has overall responsibility for maintaining a sound and effective internal control system throughout the Group which includes a defined management structure with limits of authority, and is designed to ensure the proper application of accounting standard and the provision of reliable financial information for internal use and for publication, and to secure compliance with the relevant laws and regulations. The system is developed to provide reasonable, but not absolute, assurance against material misstatement or losses and to manage, but not fully eliminate, the risks of operational systems failure and the risks of the Group's failure in meeting the standards. The Board will review the internal control system on an on-going basis.

During the year, the Board has performed a review on the efficiency of the Group's internal control system on different aspects of the Group such as financial, operation, compliance and risk management, and we have also assessed the accounting and financial reporting functions of the Group, estimated the resources and budgets for training programmes and appraised the staff members' qualifications and experience.

The Board considers that the existing internal control system covers the current operations of the Group, and is effective and adequate. The internal control system of the Group will be constantly optimized to match the continuous development of the business within the Group.

Company Secretary

Mr. Or Wing Kee and Mr. Wong Kwok Hung Kendrick are joint company secretaries of the Company. They have complied with the requirements of Rule 3.29 of the Listing Rules of the Hong Kong Stock Exchange.

Constitutional Documents

For the period from the Listing Date to December 31, 2013, the Company has not made any changes to its memorandum and articles of association.

Shareholders' Rights

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. Except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules. Poll results will be posted on the websites of the Company and the Hong Kong Stock Exchange after each general meeting.

Putting Forward Proposals at General Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its shareholders. The Company shall provide shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable shareholders to make an informed decision on the proposed resolution(s).

There are no provisions in the Articles of Association or the Companies Law of the Cayman Islands for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the below paragraph.

As regards proposing a person for election as a director of the Company, please refer to the procedures posted on the Company's website.

Convening an Extraordinary General Meeting by Shareholders

Pursuant to article 58 of the Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Investor Relations

The Board believes that effective communication with investors is essential for establishing investors' confidence and attracting new investors. The Group also recognizes the importance of transparency and timely disclosure of corporate information which enables investors to make the best investment decision.

The Company has disclosed all necessary information to the shareholders in compliance with the Listing Rules. Updated and key information of the Group is also available on the Company's website at www.phg.com.cn. The Company also replied the enquiries from shareholders timely. The general meetings of the Company provide an important channel for communications between the Board and the shareholders. The Chairman of the Board, as well as chairman of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committee and where appropriate, the independent Board Committee, will be available to answer questions at the shareholder's meetings.

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company.

Note: The Company will not normally deal with verbal or anonymous enquiries.

Contact details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: E-825, No. 6 Taiping Street, Xicheng District, Beijing, PRC
Email: ir@phg.com.cn

The 2014 annual general meeting of the Company will be held on June 5, 2014. The notice of the annual general meeting will be sent to shareholders at least 20 clear business days before the annual general meeting.

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF PHOENIX HEALTHCARE GROUP CO. LTD
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Phoenix Healthcare Group Co. Ltd (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 51 to 111, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standard ("IFRSs") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affair of the Group as at December 31, 2013, and of the Group's profit and cash flows for the year then ended in accordance with IFRSs and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 28, 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2013

	Notes	For the year ended December 31, 2013 RMB'000	2012 RMB'000
Revenue	6	**887,354**	758,032
Cost of sales and services		**(674,660)**	(573,228)
Gross profit		**212,694**	184,804
Other income	9	**71,133**	37,584
Other gains and losses	10	**(6,990)**	236
Selling and distribution expenses		**(8,351)**	(6,412)
Administrative expenses		**(65,782)**	(43,500)
Finance costs	11	**(35,184)**	(24,379)
Other expenses	12	**(24,511)**	(1,055)
Profit before tax		**143,009**	147,278
Income tax expense	13	**(46,865)**	(36,544)
Profit and total comprehensive income for the year	14	**96,144**	110,734
Profit and total comprehensive income for the year attributable to:			
Equity holders of the Company		**89,992**	101,088
Non-controlling interests		**6,152**	9,646
		96,144	110,734
Earnings per share			
— basic (RMB yuan per share)	16	**0.16**	0.19
— diluted (RMB yuan per share)	16	**0.16**	N/A

Consolidated Statement of Financial Position

At December 31, 2013

	Notes	2013 RMB'000	2012 RMB'000
Non-current assets			
Property, plant and equipment	18	**123,249**	121,522
Intangible assets	19	**317,249**	323,173
Receivables from invest-operate-transfer ("IOT") hospitals	20	**51,184**	48,478
Lease prepayments for land use right	21	**157,855**	161,318
Deferred tax assets	22	**1,080**	1,158
		650,617	655,649
Current assets			
Inventories	23	**31,050**	35,073
Trade receivables	24	**83,818**	83,010
Prepayments and other receivables	25	**19,462**	16,723
Amounts due from a related party	38	**56,871**	56,831
Short-term investments	26	**176,000**	60,450
Certificate of deposit	27	**704,450**	—
Cash and cash equivalents	27	**401,770**	113,124
		1,473,421	365,211
Current liabilities			
Trade payables	28	**123,886**	122,251
Other payables	29	**54,138**	53,773
Tax payables		**24,895**	19,465
Obligations under finance leases	30	**—**	1,077
Borrowings	31	**200,000**	5,803
		402,919	202,369
Net current assets		**1,070,502**	162,842
Total assets less current liabilities		**1,721,119**	818,491
Non-current liabilities			
Borrowings	31	**—**	227,271
Obligations under finance leases	30	**—**	4,904
Retirement benefit obligations	32	**5,265**	8,558
		5,265	240,733
Net assets		**1,715,854**	577,758

At December 31, 2013

	Note	2013 RMB'000	2012 RMB'000
Capital and reserves			
Capital	34	**166**	140,580
Share premium		**1,542,270**	—
Reserves		**74,764**	344,676
Equity attributable to equity holders of the Company		**1,617,200**	485,256
Non-controlling interests		**98,654**	92,502
Total equity		**1,715,854**	577,758

The consolidated financial statements on pages 51 to 111 were approved and authorised for issue by the Board of Directors of the Company on March 28, 2014 and is signed on their behalf by:

Liang Hongze
Director

Jiang Tianfan
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2013

	Attributable to equity holders of the Company						Attributable to non-controlling interests	Total
	Capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000 (Note vii)	Retained earnings RMB'000	Subtotal RMB'000	RMB'000	RMB'000
Balance at January 1, 2012 (Note i)	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 ii)	(25,000)	—	(175,000)	—	—	(200,000)	—	(200,000)
Acquisition of non-controlling interests (Note iii)	—	—	(128,915)	—	121,304	(7,611)	(121,304)	(128,915)
Appropriations	—	—	—	3,437	(3,437)	—	—	—
Balance at December 31, 2012	140,580	—	24,877	5,787	314,012	485,256	92,502	577,758
Profit and total comprehensive income for the year	—	—	—	—	89,992	89,992	6,152	96,144
Issue of shares by the Company (Note iv)	120	249,880	(150,000)	—	—	100,000	—	100,000
Adjustments arising from the Reorganization (Note v)	(140,580)	—	(209,904)	—	—	(350,484)	—	(350,484)
Issue of new shares to public (Note vi)	46	1,348,686	—	—	—	1,348,732	—	1,348,732
Issue costs of new shares	—	(56,296)	—	—	—	(56,296)	—	(56,296)
Appropriations	—	—	—	7,258	(7,258)	—	—	—
Balance at December 31, 2013	166	1,542,270	(335,027)	13,045	396,746	1,617,200	98,654	1,715,854

Notes:

(i) The balance of capital reserve as at January 1, 2012 represented the aggregated capital reserves arising from the previous capital injection to 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"), by its then shareholders.

(ii) On March 22, 2012, Beijing Phoenix repurchased all the 25 million shares of RMB200 million held by the four new shareholders, who made capital injection on December 8, 2011.

(iii) On June 27, 2012, Beijing Phoenix acquired 27.02% equity interest in Beijing Jian Gong Hospital Co., Ltd (北京市健宮醫院有限公司) ("Jian Gong Hospital") from Beijing Construction Engineering Group Co., Ltd (北京建工集團有限責任公司) at a total consideration of approximately RMB128.9 million.

(iv) In May and June 2013, the Company allotted and issued 89,739,900 shares and 36,480,000 shares with par value of HK$0.001 per share to certain companies beneficially owned by institutional investors and individual shareholders of Beijing Phoenix, which were credited as fully paid from share premium upon completion of issue of shares by the Company.

In June 2013, the Company also allotted and issued 9,780,000 shares with par value of HK$0.001 per share to two institutional investors at a total consideration of RMB100 million.

On July 2, 2013, Unison Champ Limited ("Unison Champ") acquired 100% equity of Pinyu Limited ("Pinyu"), who is the sole shareholder of Star Target Investments Limited ("Star Target"), from Green Talent and in exchange, the Company allotted and issued 14,680,000 shares with par value of HK$0.001 per share to Green Talent, an institutional investor. Upon completion of this step, the capital reserve recognised from the capital injection from Green Talent to Pinyu as mentioned below was transferred to share premium.

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

From April 9, 2013 to June 3, 2013, the Company, through Phoenix Healthcare International Investment Limited ("Phoenix International") and Star Target, acquired 100% equity interest in Beijing Phoenix at a total consideration of RMB500 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.

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

On December 1, 2013, the over-allotment option has been fully exercised in respect of an aggregate of 30,136,000 shares with par value of HK$0.00025 each at HK$7.38 per share.

(vii) According to the People's Republic of China (the "PRC") Company Law and the Articles of Association of the Company and its subsidiaries, 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.

Consolidated Statement of Cash Flows

For the year ended December 31, 2013

	For the year ended December 31, 2013 RMB'000	2012 RMB'000
Profit before tax	**143,009**	147,278
Adjustments for:		
Depreciation of property, plant and equipment	**18,968**	20,325
Amortisation of lease prepayments for land use right	**3,463**	3,463
Amortisation of intangible assets	**14,074**	12,376
Interest and investment income	**(10,306)**	(7,320)
Finance costs	**35,184**	24,379
Loss (gain) on disposal of property, plant and equipment, net	**1**	(236)
Foreign exchange loss	**6,989**	—
Operating cash flows before movements in working capital	**211,382**	200,265
Movements in working capital		
Decrease (increase) in inventories	**4,023**	(11,873)
Increase in trade receivables	**(808)**	(59,165)
Increase in prepayments and other receivables	**(2,786)**	(1,215)
(Increase) decrease in amount due from a related party	**(40)**	18,235
Increase in trade payables	**1,635**	32,120
(Decrease) increase in other payables	**(2,373)**	15,647
Cash generated from operations	**211,033**	194,014
Income taxes paid	**(41,357)**	(27,595)
Net cash generated from operating activities	**169,676**	166,419
Cash flows from investing activities		
Interest received from short-term investments	**2,446**	2,959
Purchase of short-term investments	**(816,350)**	(1,033,010)
Proceeds from disposal of short-term investments	**700,800**	995,560
Purchase of certificate of deposit	**(704,450)**	—
Purchases of property, plant and equipment	**(21,291)**	(28,115)
Payments to IOT Hospitals under IOT agreements	**(10,000)**	(45,000)
Advance to a related party	**(92,000)**	—
Repayment from IOT Hospitals	**7,051**	5,126
Proceeds from disposal of property, plant and equipment	**40**	280
Repayment from a related party	**92,000**	—
Net cash used in investing activities	**(841,754)**	(102,200)

Consolidated Statement of Cash Flows (Continued)

For the year ended December 31, 2013

	Note	For the year ended December 31, 2013 RMB'000	2012 RMB'000
Cash flows from financing activities			
Interest paid		**(32,742)**	(23,882)
Capital injection by a shareholder of Pinyu		**150,000**	—
Advance from a related party (Note 38(d))		**248,804**	—
Repayment to a related party (Note 38(d))		**(245,233)**	233,616
Acquisition of equity interest of Beijing Phoenix		**(500,484)**	—
Repayment of the borrowings		**(33,074)**	(200,542)
Net proceed from issue of new shares for Reorganization		**100,000**	—
Net proceed from issue of new shares to public		**1,292,436**	—
Payment for shares repurchase		**—**	(200,000)
Acquisition of non-controlling interests		**—**	(90,800)
Repayment of obligations under finance leases		**(8,427)**	(475)
Net cash generated from (used in) financing activities		**971,280**	(282,083)
Net increase (decrease) in cash and cash equivalents		**299,202**	(217,864)
Cash and cash equivalents at the beginning of the year		**113,124**	330,988
Effect of foreign exchange rate changes		**(10,556)**	—
Cash and cash equivalents at the end of the year	27	**401,770**	113,124
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash	27	**401,770**	113,124

1. General Information

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

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

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

2. Basis of Preparation

Beijing Phoenix, formerly known as Beijing Phoenix United Hospital Management Joint Stock Co., Ltd. (北京鳳凰聯合醫院管理股份有限公司), was incorporated in the PRC as a joint-stock company by Beijing Wantong (as defined in note 38(a)) and Beijing Weike Lai'en Art Design Co., Ltd. (北京維可萊恩藝術設計有限公司) on November 6, 2007 and was then the holding company of the companies comprising the Group before the reorganization of the business comprising the Group in preparation for the listing (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 March 8, 2013.

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

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

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

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

2. Basis of Preparation (Continued)

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

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

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

The consolidated financial statements of the Group have been prepared as if the Company had always been the holding company of the Group. The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the years ended December 31, 2012 and 2013 and the consolidated statement of financial position of the Group as at December 31, 2012 have been prepared as if the group structure after the Reorganization had been in existence throughout the years ended December 31, 2012 and 2013, or since the respective dates of incorporation/establishment of the relevant entities where this is a shorter period.

3. Application of New and Revised International Financial Reporting Standards ("IFRSs")

The Group has applied the IFRSs effective for its financial year ended December 31, 2013 in preparing the consolidated financial statements.

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 10, IFRS 12 and IAS 27	Investment Entities[1]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Dates of IFRS 9 and Transition Disclosures[3]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle[2]
IFRS 9	Financial Instruments[3]
IFRIC 21	Levies[1]

1 Effective for annual periods beginning on or after January 1, 2014
2 Effective for annual periods beginning on or after July 1, 2014
3 Available for application — the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised
4 Effective for annual periods beginning on or after July 1, 2014, with limited exceptions

Except for those as stated below, the adoption of these new and revised IFRSs is not expected to have material impact on the results and the financial position of the Group.

3. Application of New and Revised International Financial Reporting Standards ("IFRSs") (Continued)

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised 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 amortised 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 recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' 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 fair value through profit or loss was presented in profit or loss.

IFRS 9 is available for earlier application and the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalised.

The directors of the Company anticipate that the adoption of IFRS 9 in the future may not have significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at December 31, 2013. The new requirements on hedge accounting are not expected to have material impact to the Group.

IFRIC 21 "Levies"

IFRIC 21 Levies addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of IFRIC 21 will have no material effect on the Group's consolidated financial statements.

4. Significant Accounting Policies

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

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements 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 Group 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.

4. Significant Accounting Policies (Continued)

Consolidation 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 a subsidiary acquired or disposed of during the year are included in the consolidated statement 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.

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted as an 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 interest are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Company.

Revenue recognition

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

Revenue from the sale of goods is recognised 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 recognised 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.

4. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Interest income from a financial asset is recognised 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 in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. 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.

Depreciation is recognised 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.

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 derecognised 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 recognised in profit or loss.

Intangible assets

Intangible assets representing operating rights under IOT agreements with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation 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 derecognised 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 recognised in profit or loss in the period when the asset is derecognised.

4. Significant Accounting Policies (Continued)

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 recognised 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 consolidated 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 recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised 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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange difference on monetary items are recognised in profit or loss in the period in which they arise.

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 recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised 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 recognised in profit or loss in the period in which they become receivable.

4. Significant Accounting Policies (Continued)

Retirement benefit costs

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

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the discounted cash flow method at the end of the reporting period. Past service cost is recognised in profit or loss in the period of a plan amendment. The retirement benefit obligation recognised in the consolidated statement of financial position represents the estimated benefit payable in the Group's defined benefit plan.

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 with finite useful lives 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 of disposal 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 recognised 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 recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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 consolidated statement of profit or loss and other comprehensive income because 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.

4. Significant Accounting Policies (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised 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 utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised 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 are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise 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 realised, 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 the reporting periods, to recover or settle the carrying amount of its assets and liabilities.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted-average method. Net realisable 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 recognised 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 recognised immediately in profit or loss.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. 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 amortised 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 recognised 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.

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) on initial recognition 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 (including 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 consolidated contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gain or losses arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other gains and losses" line item. The dividend or interest earned on the financial assets is included in the "other income" line item.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, receivables from IOT Hospitals, amounts due from a related party, certificate of deposit and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

Financial assets other than those at FVTPL are assessed for indicators of impairment at the end of each of the 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.

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 recognised 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 recognised 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 recognised, the previously recognised 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 amortised cost would have been had the impairment not been recognised.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

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 recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including borrowings, trade payables and other payables are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised 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 recognised on an effective interest basis.

Derecognition

The Group derecognises 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 recognised in profit or loss.

The Group derecognises 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 derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised 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 recognised 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 (where the effect of the time value of money 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 recognised 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 recognised 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 recognised in the consolidated financial statements.

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 each 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 financial year 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.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

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 recognised in the period in which such event takes place. As at December 31, 2013, the carrying amount of property, plant and equipment is RMB123,249,000 (2012: RMB121,522,000). Details of the useful lives of property, plant and equipment are disclosed in Note 18.

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 requires 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 recognised to write the assets down to its recoverable amount. The carrying amounts of intangible assets are disclosed in Note 19.

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 20, 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. Provisions 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 recognised 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 medical consumables under the supply chain business.

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

	For the year ended December 31,	
	2013	2012
	RMB'000	RMB'000
General hospital services	**470,435**	403,109
Hospital management services	**40,765**	40,277
Supply chain business	**376,154**	314,646
	887,354	758,032

7. Segment Information

The Board of Directors of the Company is identified as the chief operating decision maker (the "CODM") of the Group for the purposes of resources allocation and performance assessment. The CODM reviews operating results and financial information 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 Phoenix Easylife Healthcare Consulting Co., Ltd (北京鳳凰益生醫學技術諮詢有限公司) ("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, medical devices and medical consumables to Jian Gong Hospital, the IOT Hospitals and external customers.

7. Segment Information (Continued)

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

Segment revenue, results, assets and liabilities

	General hospital services RMB'000	Hospital management services RMB'000	Supply chain business RMB'000	Total RMB'000
For year ended December 31, 2013				
External revenues	**470,435**	**40,765**	**376,154**	**887,354**
Inter-segment revenue	**—**	**—**	**103,528**	**103,528**
Segment revenue	**470,435**	**40,765**	**479,682**	**990,882**
Eliminations				**(103,528)**
Consolidated revenue				**887,354**
Segment results	**49,449**	**13,470**	**142,227**	**205,146**
Unallocated finance cost				**(32,742)**
Unallocated expenses in relation to the listing				**(22,078)**
Unallocated foreign exchange loss				**(6,989)**
Other unallocated expense				**(328)**
Profit before tax				**143,009**
As at December 31, 2013				
Segment assets	**598,410**	**444,297**	**243,569**	**1,286,276**
Unallocated bank balances and certificate of deposit				**1,017,033**
Other unallocated assets				**1,653**
Elimination of inter-segment receivables				**(180,924)**
Consolidated assets				**2,124,038**
Segment liabilities	**101,526**	**164,386**	**117,303**	**383,215**
Borrowings				**200,000**
Other unallocated liabilities				**5,893**
Elimination of inter-segment payables				**(180,924)**
Consolidated liabilities				**408,184**
Other segment information				
Amounts included in the measure of segment results or segment assets:				
Addition to non-current assets (Note)	**18,992**	**9,394**	**500**	**28,886**
Depreciation and amortization	**21,992**	**14,333**	**180**	**36,505**
Loss on disposal of property, plant and equipment, net	**1**	**—**	**—**	**1**
Interest and investment income	**(1,201)**	**(8,174)**	**(1,258)**	**(10,633)**
Segment finance cost	**2,442**	**—**	**—**	**2,442**
Amounts regularly provided to the CODM but not included in the measure of segment results:				
Unallocated finance cost	**N/A**	**N/A**	**N/A**	**32,742**
Foreign exchange loss	**N/A**	**N/A**	**N/A**	**6,989**
Income tax expense	**11,326**	**(288)**	**35,827**	**46,865**

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

7. Segment Information (Continued)

Segment revenue, results, assets and liabilities (Continued)

	General hospital services RMB'000	Hospital management services RMB'000	Supply chain business RMB'000	Total RMB'000
For the year ended December 31, 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)
Consolidated 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 December 31, 2012				
Segment assets	607,983	491,121	217,146	1,316,250
Elimination of inter-segment receivables				(295,390)
Consolidated assets				1,020,860
Segment liabilities	141,095	269,640	127,757	538,492
Borrowings				200,000
Elimination of inter-segment payables				(295,390)
Consolidated 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 and investment 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.

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

7. Segment Information (Continued)

Segment revenue, results, assets and liabilities (Continued)

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, foreign exchange loss 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 other than assets of the Company and overseas subsidiaries and all liabilities are allocated to operating segments other than liabilities of Company and overseas subsidiaries and 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 both year is as follows:

	For the year ended December 31,	
	2013	2012
	RMB'000	RMB'000
Beijing Yan Hua Hospital ("Yan Hua Hospital")	**166,414**	193,243
Beijing Jing Mei Hospital Group ("Jing Mei Hospital")	**147,032**	122,245

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 derive 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 both year are as follows:

For the year ended December 31, 2013

	Hospital management services RMB'000	**Supply chain business RMB'000**	**Total RMB'000**
Yan Hua Hospital	**21,248**	**145,166**	**166,414**
Mentougou Hospital	**3,445**	**75,623**	**79,068**
Jing Mei Hospital	**12,305**	**134,727**	**147,032**
Mentougou TCM Hospital	**3,767**	**19,887**	**23,654**
	40,765	**375,403**	**416,168**

For the year ended December 31, 2012

	Hospital management services RMB'000	Supply chain business RMB'000	Total 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

8. IOT Arrangements (Continued)

(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 December 31,	
	2013	2012
	RMB'000	RMB'000
Trade receivables:		
Yan Hua Hospital (Note 38(b))	**56,871**	56,831
Mentougou Hospital	**28,737**	13,547
Jing Mei Hospital	**28,625**	40,786
Mentougou TCM Hospital	**8,538**	1,630
	122,771	112,794

	As at December 31,	
	2013	2012
	RMB'000	RMB'000
Receivables from the IOT Hospitals:		
Yan Hua Hospital	**18,339**	16,133
Mentougou Hospital	**28,651**	27,842
Mentougou TCM Hospital	**10,767**	11,123
	57,757	55,098
Less: current portion included in prepayments and other receivables (Note 25)	**(6,573)**	(6,620)
Non-current portion (Note 20)	**51,184**	48,478

(iii) The carrying amount of operating rights, classified as intangible assets (Note 19) at the end of each reporting period are as follows:

	As at December 31,	
	2013	2012
	RMB'000	RMB'000
Yan Hua Hospital	**129,190**	124,281
Mentougou Hospital	**40,398**	42,775
Jing Mei Hospital	**134,220**	142,110
Mentougou TCM Hospital	**13,441**	14,007
	317,249	323,173

8. IOT Arrangements (Continued)

(iv) Details of the IOT agreements

Yan Hua Hospital

On February 1, 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 Company 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, RMB20 million and RMB 10 million in 2011, 2012 and 2013, respectively, under the total commitment of the Repayable Investment Amounts of RMB150 million, which will be repaid to the Group in equal annual instalments during the tenure of the IOT arrangement.

On October 31, 2013, the supplemental agreement to Yan Hua IOT Agreements ("Yan Hua Supplemental Agreement") is entered into among Beijing Phoenix, Yan Hua Phoenix and Yan Hua Hospital. Pursuant to the Yan Hua Supplemental Agreement, the term of the Yan Hua IOT Agreements is subject to approval by the Company's independent shareholders every three years.

On November 6, 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 unamortised balance as if the initial investment is amortised 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.

Mentougou Hospital

On July 30, 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 instalments 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 in 2011.

Mentougou TCM Hospital

On June 6, 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 instalments during the tenure of the IOT arrangement.

9. Other Income

	For the year ended December 31,	
	2013	2012
	RMB'000	RMB'000
Fee income from suppliers (Note)	**58,686**	28,389
Interest and investment income on:		
bank deposits	**327**	594
short-term investments	**2,446**	2,959
receivables from IOT Hospitals	**7,860**	4,361
Government grant	**450**	150
Others	**1,364**	1,131
	71,133	37,584

Note: On January 10, 2012, the Group entered into a one-year supply agreement with its supplier, Hong Hui Pharmaceutical Co., Ltd. (紅惠醫藥有限公司) ("Hong Hui"), for the supply of pharmaceuticals to Jian Gong Hospital, Yan Hua Hospital and Jing Mei Hospital. The agreement was renewed for one year on December 27, 2012 and additional renewed agreement was signed on October 22, 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 December 31,	
	2013	2012
	RMB'000	RMB'000
(Loss)/gain on write-off and disposal of property, plant and equipment	**(1)**	236
Foreign exchange loss	**(6,989)**	—
	(6,990)	236

11. Finance Costs

	For the year ended December 31,	
	2013	2012
	RMB'000	RMB'000
Interests on borrowings		
wholly repayable within five years	**32,742**	13,046
not wholly repayable within five years	**—**	837
Guarantee fee for the borrowings	**—**	10,022
Interest on finance leases	**2,442**	474
	35,184	24,379

12. Other Expenses

	For the year ended December 31,	
	2013	2012
	RMB'000	RMB'000
Expenses in relation to the listing	**22,078**	—
Medical disputes expenditure	**2,376**	332
Donation	**23**	500
Others	**34**	223
	24,511	1,055

13. Income Tax Expense

Income tax expense recognised in profit or loss:

	For the year ended December 31, 2013 RMB'000	2012 RMB'000
Current tax:		
PRC enterprise income tax ("EIT")	**46,787**	37,415
Deferred tax (Note 22)	**78**	(871)
Total income tax recognised in profit or loss	**46,865**	36,544

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

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

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

	For the year ended December 31, 2013 RMB'000	2012 RMB'000
Profit before tax	**143,009**	147,278
Tax calculated at statutory tax rates of 25%	**35,752**	36,820
Tax effect of expenses not deductible for tax purposes	**11,113**	64
Others	**—**	(340)
Income tax expense	**46,865**	36,544

14. Profit for the year

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

	For the year ended December 31,	
	2013	2012
	RMB'000	RMB'000
Depreciation of property, plant and equipment	**18,968**	20,325
Amortisation of lease prepayments for land use right	**3,463**	3,463
Amortisation of intangible assets		
(Included in cost of sales and services)	**14,074**	12,376
Total depreciation and amortization	**36,505**	36,164
Cost of inventories recognised as expense	**557,026**	437,209
Operating lease rentals in respect of rented premises	**2,022**	703
Directors' emoluments (Note 15)	**6,625**	4,532
Other staff cost		
Salaries and other allowances	**96,144**	77,802
Retirement benefit contributions	**5,696**	4,796
Total staff costs	**108,465**	87,130
Auditor's remuneration	**2,300**	1,015

15. Emoluments of Directors and Highest Paid Individuals

(a) Executive directors, chief executive and non-executive directors

The emoluments paid or payable to each of the eleven (2012:11) directors and the chief executives were as follows:

	For the year ended December 31, 2013			
	Directors' fee RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
Executive Directors				
Mr. Liang Hongze (梁洪澤先生)	—	700	17	717
Ms. Xu Jie (徐捷女士)	—	4,150	17	4,167
Mr. Zhang Liang (張亮先生)	—	600	—	600
Mr. Xu Zechang (徐澤昌先生)	—	389	17	406
Mr. Jiang Tianfan (江天帆先生)	—	560	17	577
Non-executive Directors				
Mr. Yang Huisheng (楊輝生先生)	—	—	—	—
Mr. Zhu Zhongyuan (朱忠遠先生)	—	—	—	—
Independent non-executive Directors				
Mr. Kwok Kong Kwong (鄺國光先生)	98	—	—	98
Ms. Cheng Hong (程紅女士)	20	—	—	20
Mr. Wang Bing (王冰先生)	20	—	—	20
Mr. Sun Jianhua (孫建華先生)	20	—	—	20
	158	6,399	68	6,625

15. Emoluments of Directors and Highest Paid Individuals (Continued)

(a) Executive directors, chief executive and non-executive directors (Continued)

	For the year ended December 31, 2012			
	Directors' fee RMB'000	Salaries and allowances RMB'000	Retirement benefit scheme contributions RMB'000	Total 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

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 February 28, 2013, Mr. Liang Hongze and Mr. Jiang Tianfan were appointed as the directors of the Company. All the other members were appointed as the directors of the Company on September 1, 2013. The emoluments disclosed above include the emoluments paid/payable to respective individual by the Group prior to their appointment.

During the year, 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.

15. Emoluments of Directors and Highest Paid Individuals (Continued)

(b) Of the five individuals with the highest emoluments in the Group, three (2012: one) were directors of the Company for the year ended December 31, 2013 whose emoluments are included in the disclosures above. The emoluments of the remaining two (2012: four) individuals were as follows:

	For the year ended December 31,	
	2013 **RMB'000**	2012 RMB'000
Salaries and allowance	**1,133**	1,640
Contributions to retirement benefits schemes	**34**	31
	1,167	1,671

Their emoluments were within the following bands:

	For the year ended December 31,	
	2013 **RMB'000**	2012 RMB'000
HK$nil to HK$1,000,000	**2**	4

16. Earnings Per Share

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

	For the year ended December 31,	
	2013	2012
	RMB'000	RMB'000
Earnings		
Profit for the purpose of basic and diluted earnings per share for the year attributable to equity holders of the Company	**89,992**	101,088
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**575,793**	524,805
Effect of dilutive potential ordinary shares: the over-allotment option (in thousands)	**43**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	**575,836**	N/A

The calculation of the basic earnings per share is based on the consolidated profit of the Group attributable to equity holders of the Company for the years ended December 31, 2013 and 2012 and weighted average number of 575,793,000 shares and 524,805,000 shares of the Company for the year ended December 31, 2013 and 2012 respectively after taking into account the effect of the Reorganization and the subdivision of shares. (details refer to Note 2 and 34).

No diluted earnings per share is presented for the year ended December 31, 2012 as the Company does not have any potential ordinary shares outstanding during the year.

17. Dividends

No dividend has been paid or declared by the Company or any group entities during both years.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended December 31, 2013 of HK$6.7 cents (2012: nil) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

18. Property, Plant and Equipment

	Buildings RMB'000	Leasehold Improvement RMB'000	Medical equipment RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At January 1, 2012	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/write-off	–	–	(6,192)	(867)	(221)	–	(7,280)
At December 31, 2012	70,477	31,408	107,319	2,932	8,981	4,181	225,298
Additions	–	–	15,765	182	2,051	2,738	20,736
Transfer	–	6,356	–	–	–	(6,356)	–
Disposals/write-off	–	–	(38,171)	(1,320)	(1,451)	–	(40,942)
At December 31, 2013	70,477	37,764	84,913	1,794	9,581	563	205,092
ACCUMULATED DEPRECIATION							
At January 1, 2012	28,500	4,295	51,892	2,503	3,496	–	90,686
Charge for the year	3,695	3,529	11,811	264	1,026	–	20,325
Eliminated on disposals/write-off	–	–	(6,179)	(867)	(189)	–	(7,235)
At December 31, 2012	32,195	7,824	57,524	1,900	4,333	–	103,776
Charge for the year	3,822	3,616	9,865	294	1,371	–	18,968
Eliminated on disposals/write-off	–	–	(38,133)	(1,320)	(1,448)	–	(40,901)
At December 31, 2013	36,017	11,440	29,256	874	4,256	–	81,843
CARRYING AMOUNT							
At December 31, 2012	38,282	23,584	49,795	1,032	4,648	4,181	121,522
At December 31, 2013	34,460	26,324	55,657	920	5,325	563	123,249

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 21).

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 December 31, 2013, the carrying amount of medical equipment of nil (December 31, 2012: RMB6,204,000) held under finance lease are pledged to secure the lease payments (see Note 30).

As at December 31, 2013, the carrying amount of medical equipment of nil (December 31, 2012: RMB26,765,000) were pledged to secure a borrowing granted to the Group (see Note 31).

As at December 31, 2013, the carrying amounts of buildings without ownership certificates were approximately RMB12,322,000 (2012: RMB13,795,000), respectively.

19. Intangible Assets

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

	For the year ended December 31,	
	2013	2012
	RMB'000	RMB'000
Cost:		
At beginning of the year	**343,138**	163,045
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)	**8,150**	30,093
At the end of the year	**351,288**	343,138
Accumulated amortization:		
At beginning of the year	**(19,965)**	(7,589)
Charge for the year	**(14,074)**	(12,376)
At the end of the year	**(34,039)**	(19,965)
Carrying amount at the end of the year	**317,249**	323,173

Note: Since the Repayable Investment Amounts are part of the respective IOT arrangements which the Group have been granted the operating rights of the IOT Hospitals in return, the 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, and subject to amortization charges (included in cost of sales and services in the consolidated statements of profit or loss and other comprehensive income) over the operating period of the respective IOT arrangements.

20. Receivables from IOT Hospitals

	As at December 31,	
	2013	2012
	RMB'000	RMB'000
Receivables from the IOT Hospitals	**57,757**	55,098
Less: current portion included in prepayments and other receivables (Note 25)	**(6,573)**	(6,620)
Non-current portion	**51,184**	48,478

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 instalments during the tenure of the IOT arrangements. The carrying amount of these interest free Repayable Investment Amounts made by the Group to IOT Hospitals that will be repaid back to the Group is recorded as Receivables from IOT Hospitals and was measured at fair value upon initial recognition and subsequently carried at amortised cost using the effective interest method at an effective interest rate of 11% per annum over the tenure of the respective IOT arrangements.

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

21. Lease Prepayments for Land Use Right

	As at December 31,	
	2013	2012
	RMB'000	RMB'000
Cost:		
At beginning of the year	**170,552**	170,552
Addition	**—**	—
At the end of the year	**170,552**	170,552
Accumulated amortization:		
At beginning of the year	**(5,771)**	(2,308)
Charge for the year	**(3,463)**	(3,463)
At the end of the year	**(9,234)**	(5,771)
Carrying amount at the end of the year	**161,318**	164,781

21. Lease Prepayments for Land Use Right (Continued)

Analyse for reporting purpose as:

	As at December 31,	
	2013	2012
	RMB'000	RMB'000
Current portion included in prepayments and other receivables (Note 25)	**3,463**	3,463
Non-current portion	**157,855**	161,318
	161,318	164,781

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 amortised 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".

22. Deferred Tax Assets

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

	Accrued expenses	**Total**
	RMB'000	RMB'000
At January 1, 2012	287	287
Credit to profit or loss	871	871
At December 31, 2012	1,158	1,158
Charge to profit or loss	(78)	(78)
At December 31, 2013	1,080	1,080

Under the PRC EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from January 1, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profit of the PRC subsidiaries amounting to RMB276,871,000 as at December 31, 2013 (December 31, 2012: RMB153,277,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

23. Inventories

	As at December 31,	
	2013	2012
	RMB'000	RMB'000
Pharmaceuticals	**24,713**	30,936
Medical devices and medical consumables	**6,337**	4,137
	31,050	35,073

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 programs, 60 days to 120 days for the sales of pharmaceutical, medical devices and consumables to the IOT Hospital, and 90 days to 180 days for the hospital management services to the IOT Hospitals after issuing the invoice. The following is an aged analysis of trade receivables presented based on the invoice date.

	As at December 31,	
	2013	2012
	RMB'000	RMB'000
Unbilled or within 60 days	**78,579**	64,907
61 to 180 days	**5,239**	18,103
	83,818	83,010

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 December 31,	
	2013	2012
	RMB'000	RMB'000
Current portion of receivables from IOT Hospitals	**6,573**	6,620
Current portion of lease prepayment for land use right	**3,463**	3,463
Prepaid value-added tax	**3,920**	4,955
Fee income receivables	**2,628**	665
Prepaid rental	**894**	—
Others	**1,984**	1,020
	19,462	16,723

26. Short-Term Investments

The Group's short-term investments mainly represent investments in financial products operated by banks, with expected annual return ranging from 2.5% to 6.5% per annum which have been designated at fair value through profit or loss. The short-term investments as at December 31, 2013 were matured in January 2014 (December 31, 2012: January 2013).

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

27. Certificate of Deposit and Cash and Cash Equivalents

	As at December 31,	
	2013	2012
	RMB'000	RMB'000
Bank balance and cash (classified as cash and cash equivalents)	**401,770**	113,124
Certificate of deposits	**704,450**	—
	1,106,220	113,124
Cash and cash equivalents and certificate of deposit denominated in:		
— RMB	**793,637**	113,124
— USD	**1,712**	—
— HKD	**310,871**	—
	1,106,220	113,124

Bank balances carried interest at market rates which range from 0.15% to 4.00% per annum over both years. As at the December 31, 2013, the Group had the certificate of deposit of RMB704,450,000 (2012: nil) with interest rate of 4% per annum which will mature on March 17, 2014.

28. Trade Payables

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

	As at December 31,	
	2013	2012
	RMB'000	RMB'000
Within 60 days	**114,726**	105,069
61–180 days	**8,556**	16,844
181 days–1 year	**604**	278
1–2 years	**—**	60
	123,886	122,251

29. Other Payables

	As at December 31,	
	2013	2012
	RMB'000	RMB'000
Staff cost payables	**17,210**	18,837
Other PRC tax payable	**7,145**	3,412
Payable for acquisition of the non-controlling interests (Note)	**7,115**	7,115
Unpaid expenses in relation to listing	**5,887**	—
Deposits from patients	**4,873**	4,571
Deposits from suppliers	**3,650**	12,350
Retirement benefit obligations (Note 32b)	**2,621**	1,895
Payable for purchase of property, plant and equipment	**1,724**	2,279
Interest payable	**611**	611
Others	**3,302**	2,703
	54,138	53,773

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

30. Obligations Under Finance Leases

	As at December 31,	
	2013	2012
	RMB'000	RMB'000
Analysis for reporting purpose as		
Current portion	**—**	1,077
Non-current portion	**—**	4,904
	—	5,981

As at December 31, 2012, the Group had leased certain of its medical equipment under finance leases. 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 to 10.94% per annum as at December 31, 2012. The rights to the leased assets are reverted to the lessor in the event of default of the lease obligations by the Group. All these finance lease contracts were early terminated and the remaining balance of all obligations under finance leases was fully settled on August 19, 2013.

	Minimum lease payments As at December 31,		Present value of minimum lease payments As at December 31,	
	2013	2012	**2013**	2012
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**—**	1,151	**—**	1,077
In more than one year but not more than two years	**—**	1,307	**—**	1,100
In more than two years but not more than five years	**—**	4,855	**—**	3,299
In more than five years	**—**	1,114	**—**	505
Subtotal	**—**	8,427	**—**	5,981
Less: future finance charges	**—**	(2,446)	**—**	—
Present value of minimum lease payments	**—**	5,981	**—**	—

31. Borrowings

	As at December 31,	
	2013 **RMB'000**	2012 RMB'000
Secured borrowings, fixed rate	**200,000**	233,074
Carrying amount repayable:		
Within one year	**200,000**	5,803
More than one year, but not exceeding two years	**—**	206,173
More than two years, but not exceeding five years	**—**	19,770
More than five years	**—**	1,328
	200,000	233,074
Less: amounts due within one year shown under current liability	**(200,000)**	(5,803)
Amount due after one year	**—**	227,271

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

	As at December 31,	
	2013 **%**	2012 %
Effective interest rate	**10.00**	9.85

As at December 31, 2012 and 2013, the borrowing from CITIC Trust Co., Ltd (中信信託有限責任公司) ("CITIC Trust") of RMB200,000,000 was secured by 53.51% equity interest in Jian Gong Hospital. The borrowing contract was early terminated on January 17, 2014, and the remaining balance of the borrowing as at December 31, 2013 was fully settled on the same date.

As at December 31, 2012, the remaining balance of the borrowing of RMB33,074,000 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 at December 31, 2012. 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% per annum. The arrangement does not in substance involve a lease and the proceeds are recognised as collateralised borrowings. On August 19, 2013, the lease agreement was early terminated, and the remaining balance of the borrowing as at December 31, 2012 was fully settled by the same date.

32. Retirement Benefit Obligations

(a) 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 year ended December 31, 2013 amounts to RMB5,764,000 (2012: RMB4,838,000).

(b) Defined benefit plans

	As at December 31,	
	2013	2012
	RMB'000	RMB'000
Total estimated benefit payable to retired staffs	**7,886**	10,453
Less: Amounts due within one year included in other payable (Note 29)	**(2,621)**	(1,895)
Amounts due after 12 months	**5,265**	8,558

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 valuation was as follows:

	As at December 31,	
	2013	2012
	RMB'000	RMB'000
Discount rate	**3.85%**	3.85%
Expected rate of the average per capital disposable income growth	**4.50%**	4.50%
Average longevity at retirement age for current pensioners	**88**	87

32. Retirement Benefit Obligations (Continued)

(b) Defined benefit plans (Continued)

Movement in the present value of the defined benefit obligation during the both year were as follows:

	For the year ended December 31,	
	2013	2012
	RMB'000	RMB'000
At beginning of the year	**10,453**	12,589
Benefit paid	**(2,567)**	(2,136)
At the end of the year	**7,886**	10,453

Significant assumptions for the determination of the defined obligation are discount rate, expected average per capital disposable income and mortality. The sensitivity analyses 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 RMB612,000 (RMB671,000) for the year ended December 31, 2013 (2012: RMB447,000 (RMB934,000)).

If the expected average per capital disposable income growth increase (decrease) by 1%, the defined benefit obligation would increase (decrease) by RMB322,000 (RMB301,000) for the year ended December 31, 2013 (2012: RMB535,000 (RMB88,000)).

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 RMB1,758,000 (RMB1,242,000) for the years ended December 31, 2013 (2012: RMB2,601,000 (RMB890,000)).

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 December 31, 2013, the Group expected to make payment of RMB2,621,000 under the defined benefit plan in the next twelve months from the end of each reporting period (December 31, 2012: RMB1,895,000).

33. Non-Wholly Owned Subsidiary

Summarised financial statements in respect of the Group's non-wholly owned subsidiary, Jian Gong Hospital that has material non-controlling interests is set out below. The non-controlling interests owned 20% of ownership and voting right in Jian Gong Hospital as at December 31, 2013 and 2012. The summarised financial statements below represents amount before intragroup eliminations.

	As at December 31,	
	2013	2012
	RMB'000	RMB'000
Current assets	**312,164**	307,417
Non-current assets	**282,402**	295,807
Current liabilities	**(96,036)**	(96,531)
Non-current liabilities	**(5,265)**	(44,186)
Total equity	**493,265**	462,507

	For the year ended December 31,	
	2013	2012
	RMB'000	RMB'000
Revenue	**471,060**	402,189
Expenses	**(440,302)**	(373,880)
Profit for the year	**30,758**	28,309
Profit attributable to non-controlling interests	**6,152**	9,646
Accumulated non-controlling interests	**98,654**	92,502
Net cash generated from operating activities	**65,804**	64,587
Net cash generated from (used in) investing activities	**34,287**	(92,743)
Net cash (used in) generated from financing activities	**(43,587)**	28,812
Net cash inflow	**56,504**	656

34. Capital

The Company

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

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

Notes:

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

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

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

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

34. Capital (Continued)

The Company (Continued)

Note: (Continued)

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

(vi) On December 1, 2013, the over-allotment option has been fully exercised in respect of an aggregate of 30,136,000 shares with par value of HK$0.00025 each at HK$7.38 per share.

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

The Group

For the purpose of the preparation of the consolidated statements of financial position, the balances of paid-in capital as at December 31, 2012 represented the paid-in capital of Beijing Phoenix amount to RMB140,580,000. Pursuant to the Reorganization completed on July 2, 2013, the Company became the holding company of the entities comprising the Group. The issued capital as at December 31, 2013 represents the issued share capital of the Company.

35. Operating Leases

The Group as lessee

	As at December 31,	
	2013	2012
	RMB'000	RMB'000
Minimum lease payments under operating leases		
Within one year	**2,800**	653
In the second to the third year inclusive	**4,013**	408
Over three years	**—**	—
	6,813	1,061

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.

36. Capital Commitments

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

	As at December 31,	
	2013	2012
	RMB'000	RMB'000
Commitment for acquisition of property, plant and equipment	**5,659**	1,552
Commitment for Repayable Investment		
Amounts to Yan Hua Hospital under IOT agreement	**63,000**	73,000
	68,659	74,552

37. 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 December 31, 2012, the Group provided a financial guarantee of RMB21,970,000 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 July 4, 2013.

38. Related Party Transactions

(a) Names and relationships

Names and relationships with related parties are as follows:

Name	Relationship
Yan Hua Hospital	Entity controlled by a shareholder with significant influence over the Company
Beijing Phoenix Wantong Investment Management Co., Ltd (北京鳳凰萬同投資管理有限公司) ("Beijing Wantong")	Entity controlled by a shareholder with significant influence over the Company
Speed Key Limited	Shareholder of the Company

38. Related Party Transactions (Continued)

(b) Related party balances

At the end of the year, other than the transactions with Yan Hua Hospital and receivables from Yan Hua Hospital under IOT arrangements set out in Note 8, the Group had the following balances with related parties:

Amounts due from a related party

	As at December 31,	
Trade in nature	**2013 RMB'000**	2012 RMB'000
Yan Hua Hospital	**56,871**	56,831

The Group allows a credit period of 60 days to 120 days for supply chain business 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 December 31,	
	2013 RMB'000	2012 RMB'000
Within 60 days	**45,503**	48,461
61–180 days	**11,368**	8,370
	56,871	56,831

As at December 31, 2013 and 2012, the Group did not have amount due from a related party which was past due.

38. Related Party Transactions (Continued)

(c) Compensation of key management personnel

The emoluments of key management during the year is as follows:

	For the year ended December 31,	
	2013	2012
	RMB'000	RMB'000
Short-term employees benefits	**7,690**	6,130
Post-employment benefits	**102**	73
	7,792	6,203

(d) Other related party transactions

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

(ii) On July 3, 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 Xu's Family, at an interest rate of 12% per annum. The borrowing with related interest was settled on December 12, 2013 using the proceeds from the Global Offering. The interest on this borrowing charged to profit or loss for the year ended December 31, 2013 amounts to RMB12,464,000.

(iii) Detailed information about the financial guarantee provided to Yan Hua Hospital is disclosed in Note 37.

39. 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 the lease of RMB5,981,000 for the year ended December 31, 2012 and all these finance lease contracts and the relevant guarantee were early terminated on July 4, 2013.

40. 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 maximise the return to the equity holders of the Company through optimisation of debt and equity balances. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of the borrowings which are disclosed in Note 31, net of cash and bank balances and equity attributable to equity holders of the Company, comprising capital and reserves.

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.

41. Financial Instruments and Financial Risk Management

Categories of financial instruments

	As at December 31,	
	2013	2012
	RMB'000	RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents and certificate of deposit)	**1,309,278**	309,748
FVTPL	**176,000**	60,450
	1,485,278	370,198
Financial liabilities:		
Amortised cost	**351,048**	384,954
Obligations under finance leases	**—**	5,981

41. Financial Instruments and Financial Risk Management (Continued)

Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, amounts due from a related party, other receivables, certificate of deposit, cash and cash equivalents, receivables from IOT Hospitals, short-term investments, trade payables, other payables, obligations under finance leases and borrowings. 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 both years are as follows:

	Liabilities As at December 31,		**Assets As at December 31,**	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
US dollar	**597**	—	**1,712**	—
HK dollar	**5,647**	—	**310,871**	—

41. Financial Instruments and Financial Risk Management (Continued)

Financial risk management objectives and policies (Continued)

Currency 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 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 profit and other equity, and the balances below would be negative.

	HK dollar As at December 31,		**US dollar As at December 31,**	
	2013 RMB'000	2012 RMB'000	**2013 RMB'000**	2012 RMB'000
Profit or loss	**15,261**	—	**56**	—

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to its fixed-rate borrowings (see Notes 31) 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.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the year were outstanding for the whole year. A 10 basis point (2012: 10 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points (2012: 10 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2013 would increase/decrease by RMB3,013,000 (2012: increase/decrease by RMB848,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

41. Financial Instruments and Financial Risk Management (Continued)

Financial risk management objectives and policies (Continued)

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 recognised financial assets as stated in the consolidated statements of financial position and the financial guarantee set out in Note 37.

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 cash equivalents and certificate of deposit 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 all the IOT Hospitals and amounts due from a related party. Details of the balances with IOT Hospitals and amounts due from a related party are set out in Notes 8 and 38(b) respectively. The Group monitors the exposure to credit risk on an ongoing basis and credit evaluation is performed on each of the IOT Hospital. In order to minimise the credit risk, the Group have reviewed the recoverability of the amounts due from a related party 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

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. The Group has unutilised borrowing facilities of RMB100 million, which is secured by 26.49% equity interest in Jian Gong Hospital as at December 31, 2013. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

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.

41. Financial Instruments and Financial Risk Management (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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 the year.

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 the year.

	Weighted average interest rate %	On demand or within one month RMB'000	1–3 months RMB'000	3 months to 1 year RMB'000	1–5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at December 31, 2013								
Financial assets								
Receivables from IOT Hospitals	11.00	—	—	7,296	43,774	128,049	179,119	57,757
Trade receivables		58,673	25,145	—	—	—	83,818	83,818
Other receivables		4,612	—	—	—	—	4,612	4,612
Amounts due from a related party		45,497	11,374	—	—	—	56,871	56,871
Short-term investment	5.10	176,295	—	—	—	—	176,295	176,000
Certificate of deposit	4.00	—	711,495	—	—	—	711,495	704,450
Cash and cash equivalents		401,770	—	—	—	—	401,770	401,770
Total		686,847	748,014	7,296	43,774	128,049	1,613,980	1,485,278
Financial liabilities								
Trade payables		74,332	49,554	—	—	—	123,886	123,886
Other payables		16,298	10,864	—	—	—	27,162	27,162
Borrowings (Note)	10.00	—	—	216,667	—	—	216,667	200,000
Total		90,630	60,418	216,667	—	—	367,715	351,048

Note: As disclosed in Note 31, all the borrowing amounted to RMB200,000,000 as of December 31, 2013 has been early terminated and settled in January 2014.

41. Financial Instruments and Financial Risk Management (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average interest rate %	On demand or within one month RMB'000	1–3 months RMB'000	3 months to 1 year RMB'000	1–5 years RMB'000	>5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at December 31, 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	60,554	—	—	—	—	60,554	60,450
Cash and cash equivalents		113,124	—	—	—	—	113,124	113,124
Total		286,898	28,306	7,052	28,207	133,615	484,078	370,198
Financial liabilities								
Trade payables		73,351	48,900	—	—	—	122,251	122,251
Other payables		17,778	11,851	—	—	—	29,629	29,629
Obligations under finance lease (Note ii)	10.70	59	214	878	6,162	1,114	8,427	5,981
Financial guarantee (Note i)		21,970	—	—	—	—	21,970	—
Borrowings (Note ii)	9.85	—	—	6,138	271,179	4,510	281,827	233,074
Total		113,158	60,965	7,016	277,341	5,624	464,104	390,935

Notes:

(i) The amounts included above for financial guarantee contracts (see Note 37) 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 December 31, 2012, the Group considers that it is more likely than not that no amount will be payable under the arrangement. 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.

(ii) Finance lease obligations amounted to RMB5,981,000 and the borrowing from Hua Rong amounted to RMB33,074,000 as of December 31, 2012 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 RMB176 million as at December 31, 2013 (December 31, 2012: RMB60.5 million) 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 amortised cost in these consolidated financial statements approximate their fair values.

42. Particulars of Principal Subsidiaries of the Company

The Company has the following subsidiaries as at December 31, 2013:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held by the Group December 31, 2012 %	December 31, 2013 %	Principal activities
Beijing Phoenix	The PRC November 6, 2007	RMB140,580,000	100.00	**100.00**	Investment holding and hospital management
Jian Gong Hospital*	The PRC May 12, 2003	RMB420,552,600	80.00	**80.00**	General hospital services
Beijing Wanrong Yi kang Medical Pharmaceutical Co., Ltd. 北京萬榮億康醫藥有限公司*	The PRC March 20, 2000	RMB3,000,000	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*	The PRC December 9, 2004	RMB4,000,000	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*	The PRC January 18, 2008	RMB1,000,000	100.00	**100.00**	General hospital services
Beijing Easylife*	The PRC April 28, 2011	RMB500,000	100.00	**100.00**	Supply chain business
Beijing Easylife Xinnuo Laundry Service Co., Ltd. 北京益生信諾洗衣服務有限公司*	The PRC October 11, 2013	RMB500,000	N/A	**100.00**	Supply chain business
Easylife Yongxin (Beijing) Trade Co., Ltd. 益生永信（北京）商貿有限公司*	The PRC November 8, 2013	RMB500,000	N/A	**100.00**	Supply chain business
Unison Champ	The BVI January 7, 2013	USD1	N/A	**100.00**	Investment holding
Pinyu	The BVI January 3, 2013	USD1	N/A	**100.00**	Investment holding
Phoenix International	Hong Kong August 28, 2012	HKD1	N/A	**100.00**	Investment holding
Star Target	Hong Kong January 3, 2013	HKD1	N/A	**100.00**	Investment holding

* The entities are subsidiaries of Beijing Phoenix.

Notes:

(i) All of the subsidiaries incorporated in the PRC are registered as limited liability companies under the PRC law.

(ii) None of the subsidiaries had issued any debt securities at the end of the year.

43. Financial Information of the Company

Financial information of the Company at the end of the reporting period includes:

	Note	2013 RMB'000
Non-current Assets		
Investments in a subsidiary (Note)		—
		—
Current Assets		
Prepayment other receivables		8
Amounts due from subsidiaries		503,618
Certificate of deposit		704,450
Cash and cash equivalents		312,333
		1,520,409
Current Liabilities		
Other payables		5,887
Amounts due to a subsidiary		14,249
		20,136
Net Current Assets		1,500,273
Total assets less Current Liabilities		1,500,273
Capital and Reserves		
Share capital	34	166
Share premium and reserves		1,500,107
Total equity		1,500,273

Note: As at December 31, 2013, the Company's balance of investment in a subsidiary represents its investment cost in Unison Champ of US dollar 1.

43. Financial Information of the Company (Continued)

	Share premium RMB'000	Accumulated losses RMB'000	Total RMB'000
At the date of incorporation	—	—	—
Issue of shares by the Company	1,598,566	—	1,598,566
Issue costs of new shares	(56,296)	—	(56,296)
Loss and total comprehensive expense for the year	—	(42,163)	(42,163)
At December 31, 2013	1,542,270	(42,163)	1,500,107

44. Events After the Reporting Period

Other than those disclosed in Note 17, the following significant event took place subsequent to December 31, 2013:

(1) On January 17, 2014, the borrowing from CITIC Trust of RMB200,000,000 was early settled. The unutilized borrowing facilities amounting to RMB100,000,000 was terminated accordingly. Details are disclosed in Note 31.

Financial Summary

IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

	For the year ended December 31,			
	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
CONSOLIDATED RESULTS				
Revenue	**887,354**	758,032	509,478	394,085
Profit before tax	**143,009**	147,278	78,718	65,032
Income tax expense	**(46,865)**	(36,544)	(20,217)	(16,023)
Profit and total comprehensive income for the year	**96,144**	110,734	58,501	49,009
Attributable to:				
Equity holders of the Company	**89,992**	101,088	48,130	42,812
Non-controlling interests	**6,152**	9,646	10,371	6,197
	96,144	110,734	58,501	49,009

	As at December 31,			
	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES				
Total assets	**2,124,038**	1,020,860	1,134,678	664,310
Total liabilities	**(408,184)**	(443,102)	(338,739)	(357,424)
	1,715,854	577,758	795,939	306,886
Equity attributable to				
Equity holders of the Company	**1,617,200**	485,256	591,779	283,261
Non-controlling interests	**98,654**	92,502	204,160	23,625
	1,715,854	577,758	795,939	306,886

Note: Financial information are extracted from accountant's report dated November 18, 2013 included in the Prospectus for the initial public offerings.

Definitions

"Affiliate(s)"	in relation to any specified person, such other person, directly or indirectly, controlling or controlled by or under common control with such specified person
"Articles of Association" or "Articles"	the articles of association of our Company adopted on September 30, 2013 and as amended from time to time
"Audit Committee"	the audit committee of the Board
"Beijing Easylife"	Beijing Phoenix Easylife Healthcare Consulting Co., Ltd. (北京鳳凰益生醫學技術諮詢有限公司), a limited liability company incorporated under the laws of the PRC on January 18, 2008, and a wholly-owned subsidiary of our Group
"Beijing Jiayi"	Beijing Phoenix Jiayi Medical Devices Co., Ltd. (北京鳳凰佳益醫療器械有限公司), formerly known as Beijing Phoenix Luoke Medical Technology Co., Ltd. (北京鳳凰洛克醫學技術有限公司) and Phoenix Wanfeng Medical Technology (Beijing) Co., Ltd. (鳳凰萬峰醫學技術(北京)有限公司), a limited liability company incorporated under the laws of the PRC on December 9, 2004, and a wholly-owned subsidiary of our Company
"Beijing Juxin Wantong"	Beijing Juxin Wantong Investment Co., Ltd. (北京聚信萬同投資有限公司), formerly known as Phoenix United Hospital Management (Beijing) Co., Ltd. (鳳凰聯盟醫院管理(北京)有限公司) and Phoenix Healthcare Investment Management (Beijing) Co., Ltd. (鳳凰醫療投資管理(北京)有限公司), a limited liability company incorporated under the laws of the PRC on June 9, 2003, and a wholly-owned subsidiary of Beijing Wantong a connected person to our Company
"Beijing Phoenix"	Beijing Phoenix United Hospital Management Consulting Co. Ltd. (北京鳳凰聯合醫院管理諮詢有限公司), formerly known as Beijing Phoenix United Hospital Management Co., Ltd. (北京鳳凰聯合醫院管理有限公司) and Beijing Phoenix United Hospital Management Joint Stock Co., Ltd. (北京鳳凰聯合醫院管理股份有限公司), a limited liability company incorporated under the laws of the PRC on November 6, 2007, and a wholly-owned subsidiary of our Company
"Beijing Wanrong"	Beijing Wanrong Yikang Medical Pharmaceutical Co., Ltd. (北京萬榮億康醫藥有限公司), a limited liability company incorporated under the laws of the PRC on March 20, 2000, and a wholly-owned subsidiary of our Company
"Beijing Wantong"	Beijing Phoenix Wantong Investment Management Co., Ltd. (北京鳳凰萬同投資管理有限公司), formerly known as Phoenix Hospital Management (Beijing) Co., Ltd. (鳳凰醫院管理(北京)有限公司), a limited liability company incorporated under the laws of the PRC on April 24, 2002, and wholly-owned by our Controlling Shareholders, Ms. Xu Jie and Ms. Xu Xiaojie and a connected person to our Company
"Board" or "Board of Directors"	the board of Directors of our Company
"Chairman"	the chairman of our Board
"Chief Executive Officer" or "CEO"	the chief executive officer of our Company
"Chief Financial Officer" or "CFO"	the chief financial officer of our Company

Definitions (Continued)

"China" or "PRC"	the People's Republic of China; for the purpose of this prospectus only, references in this prospectus to "China" or the "PRC" do not include Taiwan, the Macau Special Administrative Region and Hong Kong
"Company" or "our Company"	Phoenix Healthcare Group Co. Ltd, a company with limited liability incorporated in the Cayman Islands on February 28, 2013
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, depending on the context, refers to Ms. Xu Jie (徐捷), Ms. Xu Xiaojie (徐小捷) and Speed Key Limited or any one of them
"Director(s)"	the directors of our Company or any one of them
"Easylife Technology and Trade"	Beijing Phoenix Easylife Technology and Trade Co., Ltd. (北京鳳凰益生科貿有限公司), a limited liability company incorporated under the laws of the PRC on April 28, 2011, and a wholly-owned subsidiary of our Company
"Excluded Pharmaceuticals"	certain pharmaceuticals such as prepared traditional Chinese medicine (中藥飲片) and pharmaceuticals sold at community clinics which are excluded from our supply agreement with Hong Hui.
"Green Talent"	Green Talent Investments Limited, a limited liability company incorporated in the British Virgin Islands on March 26, 2012, our Shareholder
"Group", "our Group", "we" or "us"	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company
"HK$" and "cent"	Hong Kong dollar and cent respectively, the lawful currency of Hong Kong
"HKEx"	Hong Kong Exchanges and Clearing Limited
"Hong Hui"	Hong Hui Pharmaceutical Co., Ltd. (紅惠醫藥有限公司), a limited liability company incorporated under laws of the PRC on March 15, 1994, a supplier of our Group
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"IFRS"	International Financial Reporting Standards
"IOT"	the "invest-operate-transfer" model
"IOT hospitals and clinics"	third-party hospitals and clinics, which we manage and operate under the IOT model
"IPO"	initial public offering of Shares and listing of the Group on the Stock Exchange on November 29, 2013
"Jian Gong Hospital"	Beijing Jian Gong Hospital Co., Ltd. (北京市健宮醫院有限公司), a limited liability company incorporated under the laws of the PRC on May 12, 2003 and a subsidiary of our Company, and its predecessor, Beijing Construction Worker Hospital (北京市建築工人醫院), before its reform

"Jing Mei Hospital"	Jing Mei Hospital (北京京煤集團總醫院), a not-for-profit hospital incorporated under the laws of the PRC in 1956 and wholly owned by Beijing Coal, which we began managing in May 2011 pursuant to the Jing Mei IOT Agreement
"Jing Mei Hospital Group"	collectively, Jing Mei Hospital and seven Grade I hospitals and 11 community clinics affiliated with Jing Mei Hospital
"Jing Mei IOT Agreement"	collectively, the IOT agreement we entered into with Beijing Coal on May 5, 2011, as amended
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended
"Memorandum of Association"	the memorandum of association of our Company adopted on September 30, 2013, as amended
"Mentougou Hospital"	Mentougou Hospital (北京市門頭溝區醫院), a not-for-profit hospital incorporated under the laws of the PRC in 1951 and wholly owned by the Mentougou District government, which we began managing in June 2010 pursuant to the Mentougou IOT Agreement
"Mentougou IOT Agreement"	collectively, the IOT agreement we entered into with the Mentougou District government on July 30, 2010, as amended
"Mentougou TCM Hospital IOT Agreement"	the IOT agreement we entered into with the Mentougou District government on June 6, 2012
"Mentougou Traditional Chinese Medicine Hospital"	Mentougou Traditional Chinese Medicine Hospital (北京市門頭溝區中醫院), a not-for-profit hospital incorporated under the laws of the PRC in 1956 and wholly owned by the Mentougou District government, which we began managing in June 2012 pursuant to the Mentougou TCM Hospital IOT Agreement
"Over-allotment Option"	the option to be granted by our Company to the International Purchasers exercisable by the Joint Global Coordinators on behalf of the International Purchasers, pursuant to which our Company may be required to allot and issue up to 30,136,000 additional new Shares, representing approximately 15.0% of the Shares initially available under the Global Offering at the Offer Price, to, among other things, cover over-allocations in the International Offering (if any) as described in "Structure of the Global Offering — Over-allotment Option" in the Prospectus.
"Pinyu"	a limited liability company incorporated in the BVI on January 3, 2013, a wholly-owned subsidiary of our Company
"PRC GAAP"	the generally accepted accounting principles in China
"Prospectus"	the prospectus dated November 18, 2013 issued by the Company
"RMB"	Renminbi, the lawful currency of the PRC

Definitions (Continued)

"Remuneration Committee"	the remuneration committee of our Board
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme conditionally adopted by our Company pursuant to a resolution passed by our Shareholders on September 30, 2013
"Share(s)"	share(s) with par value of HK$0.00025 each in the capital of our Company
"Speed Key Limited"	a limited liability company incorporated in the BVI on January 30, 2013, a Controlling Shareholder and a connected person to our Company
"Star Target"	Star Target Investments Limited (星通投資有限公司), a limited liability company incorporated in Hong Kong on January 3, 2013, a wholly-owned subsidiary of our Company
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Subsidiary"	has the meaning ascribed thereto in the Companies Ordinance
"U.S. dollar" or "US$"	United States dollar, the lawful currency of the United States
"Unison Champ"	Unison Champ Limited, a limited liability company incorporated in the BVI on January 7, 2013, a wholly- owned subsidiary of our Company
"United States" or "U.S."	the United States of America, its territories and possessions, and all areas subject to its jurisdiction
"Yan Hua Hospital"	Yan Hua Hospital (北京燕化醫院), a not-for-profit hospital established under the laws of the PRC in 1973 and wholly owned by Yan Hua Phoenix, which we started to manage and operate in February 2008 pursuant to the Yan Hua IOT Agreement and a connected person to our Company
"Yan Hua Hospital Group"	collectively, Yan Hua Hospital and 17 community clinics affiliated with Yan Hua Hospital
"Yan Hua IOT Agreement"	collectively, the IOT agreement we entered into with Yan Hua Hospital Group and Yan Hua Phoenix on February 1, 2008, as amended
"Yan Hua Phoenix"	Beijing Yan Hua Phoenix Healthcare Asset Management Co., Ltd. (北京燕化鳳凰醫療資產管理有限公司), a limited liability company incorporated under the laws of the PRC on July 18, 2005, a wholly-owned subsidiary of Beijing Juxin Wantong and a connected person to our Company

In this annual report, the terms "associate", "connected person", "connected transaction", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Design And Produced By: EDICO Financial Press Services Limited

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