PHOENIX
HEALTHCARE
GROUP
凤凰医疗集团

Phoenix Healthcare Group Co. Ltd

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

Annual Report 2014

CONTENTS

CORPORATE INFORMATION

As of March 25, 2015

DIRECTORS

Executive Directors:

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

Non-executive Directors:

Mr. Yang Huisheng
Mr. Rui Wei

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 Xiaodan

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

Mr. Jiang Tianfan
Mr. Wong Kwok Hung Kendrick

COMPANY SECRETARY

Mr. Wong Kwok Hung Kendrick

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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Beijing 100050
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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REGISTERED OFFICE

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103 South Church Street
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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KY1-1002, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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183 Queen's Road East
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Hong Kong

CORPORATE INFORMATION

As of March 25, 2015

AUDITORS

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COMPLIANCE ADVISER

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PRINCIPAL BANKERS

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STOCK CODE

1515

COMPANY WEBSITE

www.phg.com.cn

CHAIRMAN'S STATEMENT

Dear shareholders:

The year 2014 was the first full year of operations for the Group after its IPO. During the year, our in-network hospitals and clinics maintained steady and sound operation and our core business continuously achieved splendid growth. Particularly thanks to the expansion of in-network hospitals and clinics' scale of operation and the reduction in finance cost, the consolidated net profit attributable to our shareholders for the year increased remarkably.

For the year ended December 31, 2014, the Group recorded revenue of RMB1,206.3 million, represented a year-on-year growth of 35.9%. Profit attributable to shareholders amounted to RMB230.1 million, represented a year-on-year increase of 155.6%. The Board recommends a final dividend of HK$17.0 cents per Share for the year ended December 31, 2014.

During the year, as the deepening of healthcare system reform continued in China, the Chinese government not only rendered greater support to privately-invested healthcare institutions, but also implemented a series of new policies to encourage private capital to innovate new investing and financing schemes in key areas such as public services, resources and environment, facilities and infrastructure. Moreover, such new policies actively facilitated the public-private partnership that government and private sector cooperate and enhance the supply of public services as well as effectively vitalise existing resources. Under the public hospital reform, private capital can participate in the infrastructure development and operations management by means of franchise, development-by-government-and-management-by-private sector and operation-by-private sector-and-funding-by-government through sole proprietorship, joint venture, cooperation, joint operation and lease, etc. The Group has been working closely with the government and has explored the IOT model (or ROT model, i.e. Restructure-Operate-Transfer) for public hospital reform, which is an innovative application of the public-private partnership in this area. We believe that, as a pioneer of the IOT model, the Group will have ample development opportunities under the support of the new reform policies.

While the Group continued to enhance the operation of our in-network hospitals and clinics in 2014, we also participated in the public hospital reform through various means, including IOT model and equity investment, which enabled steady expansion of our business in Beijing, and into Tianjin and Hebei Province. We believe that our effort will contribute to the further expansion of our scale of operation in 2015.

Looking forward, we will maintain a steady development in our business in the coming year. Leveraging on the favourable business environment supported by China's healthcare reform policies, we will actively explore the development model of regional integrated healthcare delivery systems, business model of integrating healthcare and elderly care systems and high-end healthcare services on the basis of the continuous expansion of our in-network hospitals and clinics' scale of operation, so as to further improve the consolidation of our healthcare resources and the capability of providing comprehensive healthcare services. We will also establish an attractive incentive scheme and proactively attract outstanding talents. By doing so, we will lay a solid foundation for the Group to develop into a leading large scale healthcare group in Asia and create long-term and stable return for our shareholders.

Liang Hongze
Chairman

Hong Kong, March 25, 2015


北京市门头沟区医院

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW AND OUTLOOK

China Healthcare Service Industry

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

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

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

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

Business Overview for 2014

During 2014, the Group further upgraded the management and operation of our in-network hospitals and clinics. Through standardization of management and operation of our in-network hospitals and clinics, the Group improved their operation efficiency as well as facilitated resources sharing. Meanwhile, being a listed company with a network of public hospitals and clinics, we were able to recruit and retain first-class talents and doctors who have further escalated our overall medical technology level and have enabled us to provide higher quality healthcare services to our patients. By doing so, a long-term and steady return for our Shareholders can be generated.

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

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

Industry Outlook

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

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

Development Strategies

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

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

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

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

Operating Strategies

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

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

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

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

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

FINANCIAL REVIEW

Segment Revenue

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

General hospital services

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

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

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

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

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

Hospital management services

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

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

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

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

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

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

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

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

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

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

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

Supply chain business

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

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

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

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

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

Gross Profit

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

Other Income

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

Other Gains and Losses

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Finance Costs

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

Other Expenses

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

Income Tax Expense

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

Net Profit

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

FINANCIAL POSITION

Inventories

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

Trade Receivables

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

Trade and Other Payables

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

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

Net Current Assets Position

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

Net Cash Generated from Operating Activities

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

Net Cash Generated from Investing Activities

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

Net Cash Used in Financing Activities

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

Significant Investments, Acquisitions and Disposals

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

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

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

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

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

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

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

Capital Expenditures

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

Use of Proceeds from IPO

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

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

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

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

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

INDEBTEDNESS

Borrowings

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

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

Contingent Liabilities

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

Exposure to Fluctuation in Exchange Rates

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

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

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

Interest Rate Risk

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

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

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

Pledge of Assets

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

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

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

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

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

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

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

v. charge over the related debt service reserve account.

Contractual Obligations

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

Financial Instruments

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

Gearing Ratio

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

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Liang Hongze, aged 43, is the Chairman of our Board, an executive Director 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 and the Chief Executive Officer of our Company in February 2013. Mr. Liang is a director of Hyde International Investment Limited, a substantial Shareholder of the Company.

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 51, is our founder, a Controlling Shareholder and an executive Director. Ms. Xu 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 founded our operating subsidiary, Beijing Phoenix, in November 2007.

Prior to the establishment of Beijing Phoenix, Ms. Xu 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, 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 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 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 is the mother of Ms. Xu Xiaojie, substantial and Controlling Shareholder of the Company.

Mr. Zhang Xiaodan, aged 39, has been appointed as executive Director on September 18, 2014. Mr. Zhang is a member of the Remuneration Committee and the executive general manager of the Group. Mr. Zhang joined the Group in November 2010 and is primarily responsible for managing the Group's supply chain business and project investments. Prior to taking his current position, Mr. Zhang served as the vice executive general manager of the Group. Since June 2008 and prior to joining the Group, 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 of America in June 2001.

Mr. Xu Zechang, aged 52, is an executive Director and a 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 and clinics. 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 34, is an executive Director and our Chief Financial Officer. 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 is a director of Hyde International Investment Limited, a substantial Shareholder of the Company. 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

Non-executive Directors

Mr. Yang Huisheng, aged 47, was appointed as a non-executive Director 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. Rui Wei, aged 34, has been appointed as an non-executive Director on July 3, 2014. He has been serving as a director at the Greenwoods Private Equity Funds since October 2013. Mr. Rui served as a project director at the State Administration of Traditional Chinese Medicine's Innovative Drug Fund Management Office from January 2012 to September 2013. Mr. Rui worked as a marketing director at Shanghai Green Valley Pharmaceutical Co., Ltd. from January 2011 to November 2011. From July 2004 to December 2010, Mr Rui served as a project director and assistant general manager in China Pharmaceutical Industry Information Center at Shanghai Institute of Pharmaceutical Industry. Mr. Rui received a Bachelor's degree of Pharmacy from Wuhan University in June 2001 and a Master's degree in Physiology and Medical Bioinformatics from Peking University in June 2004.

Independent Non-Executive Directors

Mr. Kwong Kwok Kong, aged 67, was appointed as an independent non-executive Director 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 about 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 10 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 45, has been appointed as an independent non-executive Director 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 Co., Ltd., 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.

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 39, was appointed as an independent non-executive Director 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 39, was appointed as an independent non-executive Director in 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.

DIRECTORS AND SENIOR MANAGEMENT

Senior Management

For the biographical details of Mr. Liang Hongze, Mr. Zhang Xiaodan, Mr. Xu Zechang and Mr. Jiang Tianfan, please see "Directors — Executive Directors".

Mr. Cheng Libing, aged 50, 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. Shan Baojie, aged 43, is a 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 of the PRC 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 42, is a 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 46, is a vice general manager 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 the head of 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 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 and an investment manager at Temasek Holdings Ltd. from January 1999 to May 2000. 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.


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DIRECTORS' REPORT

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2014.

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 41 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended December 31, 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 58 of this annual report.

The Board proposed payment of a final dividend of HK$0.17 per share for FY2014 (FY2013: HK$6.7 cents per share).

SHARE CAPITAL

Details of the movements in the share capital of the Company for the year ended December 31, 2014 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, 2014 are set out in the consolidated statement of changes in equity on page 61 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2014, 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 five financial years are set out on page 119 of this annual report.

BORROWINGS

As at December 31, 2014, the Group has no borrowings. Details of the disclosure on repayment of borrowings of the Group are set out in note 30 to the consolidated financial statements in this annual report.

PLEDGE OF ASSETS

As at December 31, 2014, there was no charge on the assets of the Company. As at December 31, 2013, the borrowing from CITIC Trust Co., Ltd of RMB200.0 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, 2014, sales to the Group's four largest customers in aggregate accounted for approximately 54.8% (2013: 46.9%) of the total sales for the year and sales to the largest customer accounted for approximately 21.6% (2013: 18.8%) of total sales.

Purchases from the Group's five largest suppliers in aggregate accounted for approximately 61.0% (2013: 58.9%) of the total purchases for the year and purchases from the largest supplier accounted for approximately 46.7% (2013: 43.1%) 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, 2014.

DIRECTORS

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

Executive Directors

Mr. LIANG Hongze *(Chairman and Chief Executive Officer)*
Ms. XU Jie
Mr. ZHANG Liang *(Vice Chairman and General Manager, resigned on September 18, 2014)*
Mr. ZHANG Xiaodan *(Executive General Manager, appointed on September 18, 2014)*
Mr. XU Zechang *(Vice General Manager)*
Mr. JIANG Tianfan *(Chief Financial Officer)*

Non-executive Directors

Mr. YANG Huisheng
Mr. ZHU Zhongyuan *(resigned on July 3, 2014)*
Mr. RUI Wei *(appointed on July 3, 2014)*

Independent Non-executive Directors

Mr. KWONG Kwok Kong
Ms. CHENG Hong
Mr. WANG Bing
Mr. SUN Jianhua

In accordance with articles 87(1) and 87(2) of the Articles of Association, Messrs. Jiang Tianfan, Yang Huisheng and Kwong Kwok Kong will retire by rotation at the forthcoming annual general meeting of the Company. Mr. Rui Wei and Mr. Zhang Xiaodan, who were appointed as non-executive Director and executive Director on July 3, 2014 and September 18, 2014 respectively, shall retire from office at the forthcoming annual general meeting pursuant to article 86(3) of the Articles of Association. 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 section "Directors and Senior Management" on pages 22 to 27 of this annual report.

SERVICES CONTRACTS OF THE DIRECTORS

Each of our executive Directors has entered into a 3-year service contract with the Company either on September 1, 2013 or September 18, 2014, 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 3-year service contract with our Company either on September 1, 2013 or July 3, 2014, 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 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, 2014, the Group had a total of 888 full time employees (December 31, 2013: 861 employees). For FY2014, the staff cost (including Directors' remuneration in the form of salaries and other benefits) was approximately RMB136.7 million (FY2013: RMB108.5 million).

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

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

The remuneration of the Directors is reviewed by the Remuneration Committee and approved by the Board, having regard to the relevant Director's experience, responsibility, workload and 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. Each of the Controlling Shareholders has confirmed in writing to the Company of their compliance with the deed of non-competition for disclosure in this annual report during the year ended December 31, 2014. And no new business opportunity was informed by the Controlling Shareholders as at December 31, 2014

The independent non-executive Directors have reviewed the implementation of the deed of non-competition and are of the view that the non-competition undertakings have been complied with by the Controlling Shareholders for the year ended December 31, 2014.

DIRECTOR'S INTERESTS IN COMPETING BUSINESSES

Saved as disclosed in this annual report, as of December 31, 2014, 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.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2014, 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 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 to be notified to the Company and the 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:

(a) Long positions in shares of the Company

Name of Director/ chief executive	Capacity	Number of ordinary shares held	Approximate percentage of shareholding %
Liang Hongze[1]	Interest in Controlled Corporation	62,360,000	7.48
Xu Jie[2]	Family interest in Controlled Corporation	277,360,000	33.27

Notes:

1. The 62,360,000 shares 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.

(b) Long positions in shares of associated corporation

Name of Director/ chief executive	Name of associated corporation	Capacity	Number of ordinary shares held	Percentage of issued share capital
Jiang Tianfan	Hyde International Investment Limited	Personal beneficial interest in corporate shareholder	1,668	16.68
Xu Zechang	Hyde International Investment Limited	Personal beneficial interest in corporate shareholder	449	4.49
Zhang Liang (resigned on September 18, 2014)	Hyde International Investment Limited	Personal beneficial interest in corporate shareholder	513	5.13
Zhang Xiaodan	Hyde International Investment Limited	Personal beneficial interest in corporate shareholder	225	2.25

Save as disclosed above, as at December 31, 2014, 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 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, to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme on September 30, 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 ended December 31, 2014, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Share Option Scheme.

SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme as a means to recognise the contribution of and provide incentives for the key management personnel including Directors and senior management, employed experts and core employees of the Group. The Share Award Scheme shall be valid and effective for a period of 10 years commencing from July 7, 2014 on which the Board adopted the Share Award Scheme (the "Adoption Date") and is administrated by the Board and the trustee of the Share Award Scheme.

The Board will implement the Share Award Scheme in accordance with the scheme rules including but not limited to providing necessary funds to the trustee for purchase of no more than 5% of the total number of issued Shares of the Company as at the Adoption Date with each selected participant receiving not more than 1% of the total number of issued Shares as at the Adoption Date (the "Award Shares). The Company shall comply with the relevant Listing Rules when granting the Award Shares. If the Award Shares are granted to the Directors, such award shall constitute connected transaction under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules.

No Award Share has been granted by the Company under the Share Award Scheme for the period since the Adoption Date to December 31, 2014. For details of the Share Award Scheme, please refer to the announcement of the Company dated July 7, 2014.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2014, 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 Divisions 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	Beneficial Owner	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
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, 2014, 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.

DIRECTORS' RIGHT TO ACQUIRE SECURITIES

Save as the details as disclosed under the heading "Directors' and Chief Executives' Interest and Short Positions in Shares, Underlying Shares and Debentures", the Share Option Scheme and the Share Award Scheme as disclosed above, at no time during the year ended December 31, 2014, were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse of children under the age of 18, or were any such rights has been exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under the age of 18, to acquire such rights in any other body corporate.

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, 2014.

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 Group 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).

In December 2014, the Board has decided to revise the annual cap for 2014 to RMB38.0 million based on the unaudited management accounts of Yan Hua Hospital Group for the 11 months ended November 30, 2014. Both patient visits, particularly in-patient visits, and average revenue per patient have increased, resulting in higher revenue and better gross profit margin as compared to the same period in the previous year. The Board confirmed that the continuing connected transactions under the Yan Hua IOT Agreement were in the ordinary and usual course of business of the Group and based on normal or better commercial terms. The Board also confirmed that revising the annual cap was in the interests of the Shareholders as a whole. For further details of the revision of annual cap for the continuing connected transactions under the Yan Hua IOT Agreement, please refer to the announcement of the Company dated December 15, 2014.

For the year ended December 31, 2014, the management service fee and investment repayment from Yan Hua Hospital Group amounted RMB32.1 million (of which RMB2.0 million is investment repayment), which has not exceeded the relevant annual cap.

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 RMB200.0 million, RMB260.0 million and RMB330.0 million.

For the year ended December 31, 2014, the actual transaction amount from Yan Hua Hospital Group was RMB230.2 million, which has not exceeded the relevant annual cap of RMB260.0 million.

Save as disclosed above, none of the related-party transactions or continuing related-party transactions set out in note 38 to the consolidated financial statements in this annual report fall within the meaning of discloseable connected transactions or continuing connected transactions under the Listing Rules. The connected and continuing connected transactions 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, Deloitte Touche Tohmatsu, 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.56 of the Listing Rule. A copy of the relevant confirmation letter has been provided to the Board and the Stock Exchange as required under Rule 14A.57 of the Listing Rules.

The independent non-executive Directors have reviewed the above-mentioned continuing connected transactions and confirmed that for the year of 2014:

(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 as a whole; and

(iv) with respect to the aggregate amount of each of the continuing connected transaction set out above, the continuing connected transactions are within the annual cap or the revised annual cap as set out in the Prospectus or in the announcement of the Company dated December 15, 2014 respectively.

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

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

From January 20 to January 21, 2015, the Company paid HK$30,218,000 to the Trustee to purchase the Company's existing shares of 2,144,000 pursuant to the Share Award Scheme.

On February 4, 2015, the Company as borrower entered into the Syndicated Loan Agreement under which the Company was granted a facility in the aggregate sum of US$150.0 million, with a repayment term of three years (which is extendable for another two years after the initial three-year term), the interest rate of which is determined with reference to the three-month London Interbank Offered Rate plus 3.15% per annum. The syndicate under the Syndicated Loan Agreement is led by Deutsche Bank AG, with participation from a consortium of other banks (the "Lenders"). The facility will be guaranteed by existing offshore subsidiaries and future offshore subsidiaries of the Company and secured by first priority perfected security interests over 100% of the shares of the subsidiaries and etc. in favour of the security agent on behalf of the Lenders.

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

A final dividend in respect of the year ended December 31, 2014 of HK$0.17 (2013: HK$6.7 cents) per Share has been proposed by the Directors on March 25, 2015 and is subject to approval by the Shareholders in the forthcoming annual general meeting.

BOARD COMMITTEES

Audit Committee

The Company established the 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.

As at December 31, 2014, the Audit Committee consisted of 3 independent non-executive Directors, namely Mr. Kwong Kwok Kong, Ms. Cheng Hong and Mr. Sun Jianhua.

The Audit Committee, together with the management of the Company, have reviewed the accounting principles, accounting standards and methods adopted by the Company, discussed the matters concerning internal control, auditing and financial reporting matters and reviewed the financial statements of the Group for the year ended December 31, 2014.

Remuneration Committee

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

As at December 31, 2014, the Remuneration Committee consisted of one executive Director, Mr. Zhang Xiaodan, and two independent non-executive Directors, namely, Mr. Wang Bing and Mr. Sun Jianhua.

Nomination Committee

The Company established the 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, 2014, 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

The Company adopted the Model Code set out in Appendix 10 to the Listing Rules as rules governing dealings by Directors in the listed securities of the Company.

Having made specific enquiry, the Company confirmed that all members of the Board complied with the Model Code during the year ended December 31, 2014. 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$0.17 per Share for the year ended December 31, 2014, payable to Shareholders whose names appear on the register of members of the Company on June 12, 2015. Based on the number of issued Shares as at December 31, 2014, this represents a total distribution of approximately HK$141.7 million. Subject to the approval by Shareholders at the annual general meeting to be held on June 4, 2015, it is expected that the final dividend will be paid on or before June 30, 2015.

CLOSURE OF REGISTER OF MEMBERS

For determining the qualification of members to attend and vote at the annual general meeting to be held on Thursday, June 4, 2015, the register of members of the Company will be closed from Tuesday, June 2, 2015 to Thursday, June 4, 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify as members to attend and vote at the Meeting, investors are urged to lodge all transfers of shares accompanied by the relevant share certificates and transfer forms with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, June 1, 2015.

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, June 10, 2015 to Friday, June 12, 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement to the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, June 9, 2015.

CODE OF CORPORATE GOVERNANCE PRACTICES

The text of the Corporate Governance Report are set out on pages 45 to 55 of this annual report.

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

During the year ended December 31, 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities other than the purchase of the Company's Shares by the trustee under the Share Award Scheme.

SUFFICIENCY OF THE PUBLIC FLOAT

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

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding the Company's securities.

AUDITOR

The Company has appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended December 31, 2014. A resolution will be proposed for approval by Shareholders at the forthcoming annual general meeting to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board
Liang Hongze
Chairman

Hong Kong, March 25, 2015

CORPORATE GOVERNANCE REPORT

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 recommended best practices under the CG Code during the year ended December 31, 2014, save for certain deviations which are explained in the relevant paragraphs in this corporate governance report.

The Company will review and commit in making necessary arrangement to comply with all the code provisions under 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 ended December 31, 2014.

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 25 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.

Note: Mr. Zhu Zhongyuan has resigned as non-executive Director and Mr. Rui Wei has been appointed as non-executive Director both on July 3, 2014.

Mr. Zhang Liang has resigned as executive Director and Mr. Zhang Xiaodan has been appointed as executive Director both on September 18, 2014.

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.

The Company has arranged for appropriate insurance cover to protect Directors from possible legal action against them.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the performance of the functions of corporate governance. For the year ended December 31, 2014, 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 code provision 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, 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. Mr. Liang Hongze, as 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 are 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 were only two regular Board meetings held during the year ended December 31, 2014 as the Company is not required under the Listing Rules to announce its quarterly results.

Throughout the year ended December 31, 2014, the Board has convened and held four Board meetings. Attendance records of the Directors at the Board meetings are set out as follows:

Name of the Directors	Number of meetings attended/convened
Executive Directors:	
Mr. Liang Hongze *(Chairman and Chief Executive Officer of the Board)*	4/4
Ms. Xu Jie	0/4
Mr. Zhang Liang *(resigned on September 18, 2014)*	2/2
Mr. Zhang Xiaodan *(appointed on September 18, 2014)*	1/2
Mr. Xu Zechang	2/4
Mr. Jiang Tianfan	4/4
Non-executive Directors:	
Mr. Yang Huisheng	2/4
Mr. Zhu Zhongyuan *(resigned on July 3, 2014)*	1/2
Mr. Rui Wei *(appointed on July 3, 2014)*	1/2
Independent Non-executive Directors:	
Mr. Kwong Kwok Kong	2/4
Ms. Cheng Hong	2/4
Mr. Wang Bing	2/4
Mr. Sun Jianhua	2/4

Apart from the two regular Board meetings, two other Board meetings were held during the year ended December 31, 2014.

PRACTICES AND CONDUCT OF MEETINGS

Notice of regular Board meetings are served to all Directors at least 14 days before the meetings to give all Directors an opportunity to attend. For the other two board meetings held on November 27, 2014 and December 12, 2014, reasonable notice have not been given to all Directors due to the urgent nature and timing of the meetings.

For regular Board and committee meetings, all agendas, board papers, together with all applicable, complete and reliable information will be sent to all the Directors or committees at least three days before a meeting is held. All Directors may propose any business to be included in the agenda of the Board or committee 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 provision 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 and this provision has always been complied with.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

According to the Articles of Association, 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) are subject to retirement by rotation at least once every three years and any new Director appointed to fill casual vacancy shall hold office until the next following general meeting of the Company and for any Director appointed as an addition to the Board shall hold office until the next following annual general meeting of the Company. The retiring Directors shall be eligible for re-election.

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 for the year ended December 31, 2014 are set out in note 15 to the consolidated financial statements of this annual report.

CONTINUOUS PROFESSIONAL DEVELOPMENT FOR DIRECTORS

On appointment to the Board, each Director receives a comprehensive induction package to ensure that he/she has a proper understanding of the business and operations of the Company and is fully aware of the responsibilities and obligations as being a Director as well as the compliance practice under the Listing Rules and other relevant regulatory requirements.

All Directors are encouraged to participate on continuous professional development to develop and refresh their knowledge and skills. 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. Directors participated in courses relating to roles, functions and duties of a listed company director or further enhancement of their professional development by the way of attending training courses or reading relevant materials.

A summary of training received by the Directors for the year ended December 31, 2014 according to the records provided by the Directors is as follows:

Name of the Directors	Type of Continuous Professional Development: Reading on corporate governance, regulatory updates development and other relevant topics	Attending relevant training session
Executive Directors:		
Mr. Liang Hongze	X	✓
Ms. Xu Jie	X	X
Mr. Zhang Liang *(resigned on September 18, 2014)*	X	X
Mr. Zhang Xiaodan *(appointed on September 18, 2014)*	X	✓
Mr. Xu Zechang	X	✓
Mr. Jiang Tianfan	X	✓
Non-executive Directors:		
Mr. Yang Huisheng	X	X
Mr. Zhu Zhongyuan *(resigned on July 3, 2014)*	X	X
Mr. Rui Wei *(appointed on July 3, 2014)*	X	✓
Independent non-executive Directors:		
Mr. Kwong Kwok Kong	✓	X
Ms. Cheng Hong	X	✓
Mr. Wang Bing	X	X
Mr. Sun Jianhua	X	✓

NOMINATION COMMITTEE

The Board has established the Nomination Committee on November 4, 2013 which currently comprises thee 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.

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") setting out a number of factors which the Nomination Committee would consider in reviewing and assessing the Board composition.

According to the Board Diversity Policy, the Nomination Committee reviews and assesses the Board composition and makes recommendations of changes to the composition of the Board. The Nomination Committee would consider the benefits of all aspects of diversity set out in the Board Diversity Policy, including but not limited to gender, age, race, cultural and educational background, communication styles, interpersonal skills, functional expertise, problem solving skills, professional qualifications, knowledge and industry and regional experience and other qualities in reviewing and assessing the composition of the Board and all appointments to the Board will be based on merits and will take into account of factors based on the Company's own business model and specific needs from time to time.

The Nomination Committee will review the Board Diversity Policy on a regular basis (which will include a review of the effectiveness of the policy), discuss any required changes with the Board and make recommendation of revision to the Board Diversity Policy to the Board for consideration and approval.

During the year ended December 31, 2014, the Nomination Committee has convened one meeting to review the structure, size and composition of the Board and the committees and the independence of the independent non-executive Directors and considered the qualifications of the retiring Directors standing for re-election at the annual general 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 attended/convened
Chairman:	
Ms. Cheng Hong	1/1
Members:	
Mr. Liang Hongze	1/1
Mr. Wang Bing	1/1

REMUNERATION COMMITTEE

The Board has established the Remuneration Committee on November 4, 2013 which currently 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 Xiaodan (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.

During the year ended December 31, 2014, the Remuneration Committee has convened one meeting to review the remuneration policy for all Directors and senior management. 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 attended/convened
Chairman:	
Mr. Wang Bing	1/1
Members:	
Mr. Sun Jianhua	1/1
Mr. Zhang Liang *(resigned on September 18, 2014)*	1/1
Mr. Zhang Xiaodan *(appointed on September 18, 2014)*	N/A

AUDIT COMMITTEE

The Board has established the Audit Committee on November 4, 2013 which currently comprises three Directors, with Mr. Kwong Kwok Kong as the chairman, and Ms. Cheng Hong and Mr. Sun Jianhua 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 auditor and the internal auditor (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.

During the year ended December 31, 2014, the Audit Committee met twice to discharge its responsibilities and review the Group's annual and interim results, continuing connected transaction, reporting and compliance procedures, report from the management on the Company's internal control and risk management systems and processes and also the re-appointment of the external auditor. 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*	2/2
Members:	
Ms. Cheng Hong	2/2
Mr. Sun Jianhua	2/2

* Certified Public Accountant

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors on terms no less exacting than the required standard set out in the Model Code.

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

REMUNERATION OF EXTERNAL AUDITOR

During the year ended December 31, 2014, the total fee paid/payable to the external auditor of the Company in respect of audit and non-audit services is set out below:

Items of auditor's services	**Amount** (RMB)
Audit services:	
Annual audit service	2,500,000
Non-audit service:	
Tax and share award scheme advisory services	550,000
Total	3,050,000

The Audit Committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditor. 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 auditor of the Company about their reporting responsibilities on the financial statements of the Company and the Group is set out in the independent auditor's report on pages 56 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, 2014 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 ended December 31, 2014, 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 has 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 of receiving relevant professional training for not less than 15 hours during the year ended December 31, 2014.

Subsequent to the reporting period, Mr. Or Wing Kee has resigned as a joint company secretary of the Company and Mr. Wong Kwok Hung Kendrick has been re-designated as the company secretary of the Company with effect from February 2, 2015.

CONSTITUTIONAL DOCUMENTS

For the year ended December 31, 2014, 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 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 company 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 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 chairmen 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 general 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

GENERAL MEETINGS

During the year ended December 31, 2014, the Company has convened and held one general meeting. Attendance records of the Directors at the general meeting are set out as follows:

Name of the Directors	Number of meetings attended/convened
Executive Directors:	
Mr. Liang Hongze *(Chairman and Chief Executive Officer)*	1/1
Ms. Xu Jie	0/1
Mr. Zhang Liang *(resigned on September 18, 2014)*	0/1
Mr. Zhang Xiaodan *(appointed on September 18, 2014)*	N/A
Mr. Xu Zechang	1/1
Mr. Jiang Tianfan	1/1
Non-executive Directors:	
Mr. Yang Huisheng	0/1
Mr. Zhu Zhongyuan *(resigned on July 3, 2014)*	1/1
Mr. Rui Wei *(appointed on July 3, 2014)*	N/A
Independent Non-executive Directors:	
Mr. Kwong Kwok Kong	0/1
Ms. Cheng Hong	1/1
Mr. Wang Bing	0/1
Mr. Sun Jianhua	1/1

According to code provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of Shareholders.

One non-executive Director and two independent non-executive Directors were unable to attend the annual general meeting of the Company held on June 5, 2014 due to other business commitments.

The 2015 annual general meeting of the Company will be held on June 4, 2015. 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 58 to 118, which comprise the consolidated statement of financial position as at December 31, 2014, 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 International Financial Reporting Standards ("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, 2014, and of its 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 25, 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2014

	Notes	2014 RMB'000	2013 RMB'000
Revenue	6	**1,206,265**	887,354
Cost of sales and services		**(908,562)**	(674,660)
Gross profit		**297,703**	212,694
Other income	9	**94,255**	71,133
Other gains and losses	10	**12,037**	(6,990)
Selling and distribution expenses		**(8,214)**	(8,351)
Administrative expenses		**(77,371)**	(65,782)
Finance costs	11	**(944)**	(35,184)
Other expenses	12	**(707)**	(24,511)
Profit before tax		**316,759**	143,009
Income tax expense	13	**(77,230)**	(46,865)
Profit and total comprehensive income for the year	14	**239,529**	96,144
Profit and total comprehensive income for the year attributable to:			
Equity holders of the Company		**230,051**	89,992
Non-controlling interests		**9,478**	6,152
		239,529	96,144
Earnings per share			
— basic (RMB yuan per share)	16	**0.28**	0.16
— diluted (RMB yuan per share)	16	**N/A**	0.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	18	**138,292**	123,249
Intangible assets	19	**360,030**	317,249
Receivables from invest-operate-transfer ("IOT") hospitals	20	**68,994**	51,184
Lease prepayments for land use right	21	**150,448**	157,855
Deferred tax assets	22	**1,346**	1,080
		719,110	650,617
Current assets			
Inventories	23	**33,832**	31,050
Trade receivables	24	**93,735**	83,818
Prepayments and other receivables	25	**24,528**	19,462
Amounts due from a related party	38	**67,838**	56,871
Short-term investments	26	**77,300**	176,000
Certificate of deposit	27	**384,027**	704,450
Cash and cash equivalents	27	**611,536**	401,770
		1,292,796	1,473,421
Current liabilities			
Trade payables	28	**171,874**	123,886
Other payables	29	**58,606**	54,138
Tax payables		**42,955**	24,895
Borrowings	30	**—**	200,000
		273,435	402,919
Net current assets		**1,019,361**	1,070,502
Total assets less current liabilities		**1,738,471**	1,721,119
Non-current liabilities			
Retirement benefit obligations	31	**3,227**	5,265
		3,227	5,265
Net assets		**1,735,244**	1,715,854

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2014

	Notes	**2014 RMB'000**	2013 RMB'000
Capital and reserves			
Capital	34	**166**	166
Share premium		**1,497,815**	1,542,270
Reserves		**129,131**	74,764
Equity attributable to equity holders of the Company		**1,627,112**	1,617,200
Non-controlling interests		**108,132**	98,654
Total equity		**1,735,244**	1,715,854

The consolidated financial statements on pages 58 to 118 were approved and authorised for issue by the Board of Directors of the Company on March 25, 2015 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, 2014

	Attributable to equity holders of the Company								
	Capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000 (Note v)	Treasury share reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Attributable to non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2013	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 i)	120	249,880	(150,000)	—	—	—	100,000	—	100,000
Adjustments arising from the Reorganisation (Note ii)	(140,580)	—	(209,904)	—	—	—	(350,484)	—	(350,484)
Issue of new shares to public (Note iii)	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
Profit and total comprehensive income for the year	—	—	—	—	—	230,051	230,051	9,478	239,529
Purchase of shares under share award scheme (Note iv)	—	—	—	—	(175,684)	—	(175,684)	—	(175,684)
Dividends recognised as distribution (Note 17)	—	(44,455)	—	—	—	—	(44,455)	—	(44,455)
Appropriations	—	—	—	13,519	—	(13,519)	—	—	—
Balance at December 31, 2014	166	1,497,815	(335,027)	26,564	(175,684)	613,278	1,627,112	108,132	1,735,244

Notes:

(i) 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 United Hospital Management Joint Stock Co., Ltd. (北京鳳凰聯合醫院管理股份有限公司) ("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 Investments Limited ("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.

(ii) 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 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.

(iii) 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 Company further issued 30,136,000 shares with par value of HK$0.00025 each at HK$7.38 per share.

(iv) From September to December in 2014, the Company paid an amount of HK$221,856,000 (equivalent to approximately RMB 175,684,000) to Computershare Hong Kong Trustees Limited (the "Trustee") to purchase the Company's existing shares of 16,044,500 on the market pursuant to the Share Award Scheme (the "Scheme") made on July 7, 2014 by the board of directors of the Company (the "Board"). Further details are disclosed in Note 32.

(v) 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 surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, 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, 2014

	Note	2014 RMB'000	2013 RMB'000
Profit before tax		**316,759**	143,009
Adjustments for:			
Depreciation of property, plant and equipment		**21,162**	18,968
Amortisation of lease prepayments for land use right		**3,397**	3,463
Amortisation of intangible assets		**14,633**	14,074
Interest and investment income		**(35,718)**	(10,306)
Finance costs		**944**	35,184
(Gain) loss on disposal of property, plant and equipment, net		**(1)**	1
Gain on disposal of lease prepayments for land use right, net		**(15,683)**	—
Foreign exchange loss		**3,647**	6,989
Operating cash flows before movements in working capital		**309,140**	211,382
Movements in working capital			
(Increase) decrease in inventories		**(2,782)**	4,023
Increase in trade receivables		**(9,917)**	(808)
Increase in prepayments and other receivables		**(2,869)**	(2,786)
Increase in amount due from a related party		**(10,967)**	(40)
Increase in trade payables		**47,988**	1,635
Increase (decrease) in other payables		**3,056**	(2,373)
Cash generated from operations		**333,649**	211,033
Income taxes paid		**(59,436)**	(41,357)
Net cash generated from operating activities		**274,213**	169,676
Cash flows from investing activities			
Investment income received from short-term investments		**28,935**	2,446
Purchase of short-term investments		**(3,540,510)**	(816,350)
Proceeds from disposal of short-term investments		**3,639,210**	700,800
Purchase of certificate of deposit		**(969,324)**	(704,450)
Proceeds from certificate of deposit		**1,289,747**	—
Purchases of property, plant and equipment		**(36,257)**	(21,291)
Payments to IOT Hospitals under IOT agreements		**(78,000)**	(10,000)
Advance to a related party		**—**	(92,000)
Repayment from IOT Hospitals		**7,296**	7,051
Proceeds from disposal of property, plant and equipment		**38**	40
Proceeds from disposal of lease prepayments for land use right		**19,759**	—
Repayment from a related party		**—**	92,000
Net cash generated from (used in) investing activities		**360,894**	(841,754)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2014

	Note	2014 RMB'000	2013 RMB'000
Cash flows from financing activities			
Interest paid		**(1,555)**	(32,742)
Repayment of the borrowings		**(200,000)**	(33,074)
Payment for repurchase of ordinary shares		**(175,684)**	—
Dividends paid to owners of the Company		**(44,455)**	—
Capital injection by a shareholder of Pinyu		**—**	150,000
Advance from a related party		**—**	248,804
Repayment to a related party		**—**	(245,233)
Acquisition of equity interest of Beijing Phoenix		**—**	(500,484)
Net proceed from issue of new shares for Reorganisation		**—**	100,000
Net proceed from issue of new shares to public		**—**	1,292,436
Repayment of obligations under finance leases		**—**	(8,427)
Net cash (used in) generated from financing activities		**(421,694)**	971,280
Net increase in cash and cash equivalents		**213,413**	299,202
Cash and cash equivalents at the beginning of the year		**401,770**	113,124
Effect of foreign exchange rate changes		**(3,647)**	(10,556)
Cash and cash equivalents at the end of the year	27	**611,536**	401,770
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances and cash	27	**611,536**	401,770

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2014

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION

Beijing Phoenix, formerly known as Beijing Phoenix United Hospital Management Joint Stock Co., Ltd. (北京鳳凰聯合醫院管理股份有限公司), was incorporated in the PRC as a joint-stock company by Beijing Wantong (as defined in Note 38.1) and Beijing Weike Lai'en Art Design Co., Ltd. (北京維可萊恩藝術設計有限公司) on November 6, 2007 and was then the holding company of the companies comprising the Group before the Reorganisation as detailed in the Company's prospectus dated November 22, 2013.

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

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

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

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

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

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

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

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, and in exchange, the Company allocated and issued 14,680,000 Shares to Green Talent, an institutional investor.

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

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

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

3.1 Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following amendments to IFRSs and a new Interpretation.

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

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

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

3.2 New and revised IFRSs in issue but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to IAS 1	Disclosure Initiative[4]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2010–2012 Cycle[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2011–2013 Cycle[3]
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[4]

[1] Effective for annual periods beginning on or after January 1, 2018
[2] Effective for annual periods beginning on or after January 1, 2017
[3] Effective for annual periods beginning on or after July 1, 2014
[4] Effective for annual periods beginning on or after January 1, 2016
[5] Effective for annual periods beginning on or after July 1, 2014, with limited exceptions

Except as described below, the directors of the Company (the "Directors") do not anticipate that the application of the above mentioned new and revised standards issued but not yet effective will have a material effect on the Group's consolidated financial statements.

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. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

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

3.2 New and revised IFRSs in issue but not yet effective (Continued)

IFRS 9 Financial Instruments (Continued)

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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. 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.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Except for the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs, the Directors anticipate that the adoption of IFRS 9 in the future may not have other significant impact on 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, 2014.

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

3.2 New and revised IFRSs in issue but not yet effective (Continued)

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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.

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.

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

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

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "lease prepayments for land use right" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 differences 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets (Continued)

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 instruments.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets at FVTPL represent financial assets held for trading and financial assets designated as at FVTPL.

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

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

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

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

Financial assets at FVTPL are 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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 reorganisation.

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. 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. Changes in the carrying amount of the allowance account are recognised in 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.

Financial liabilities and equity instruments

Classification as debt or equity

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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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, 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 16 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.

Estimated useful lives 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 of expected useful lives is based on the management's experience of property, plant and equipment of similar nature and functions. 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. When the expected useful lives 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, 2014, the carrying amount of property, plant and equipment is RMB138,292,000 (December 31, 2013: RMB123,249,000). Details of the useful lives of property, plant and equipment are disclosed in Note 18.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

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 assessed 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 and potential 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,	
	2014	2013
	RMB'000	RMB'000
General hospital services	**540,192**	470,435
Hospital management services	**60,138**	40,765
Supply chain business	**605,935**	376,154
	1,206,265	887,354

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 for each operating company separately. Accordingly, each operating company is identified as an operating segment. When the operating 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 reportable segments (including aggregation of operating segments for supply chain business) for segment reporting purpose are as follows:

(i) General hospital services

Revenue from this segment is mainly derived from hospital services provided at Beijing Jian Gong Hospital Co., Ltd (北京市健宮醫院有限公司) ("Jian Gong Hospital") .

(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, 2014				
External revenues	540,192	60,138	605,935	1,206,265
Inter-segment revenue	—	—	175,874	175,874
Segment revenue	540,192	60,138	781,809	1,382,139
Eliminations				(175,874)
Consolidated revenue				1,206,265
Segment results	64,046	61,562	194,627	320,235
Unallocated interest income				13,927
Unallocated finance cost				(944)
Unallocated foreign exchange loss				(3,647)
Other unallocated expense				(12,812)
Profit before tax				316,759
As at December 31, 2014				
Segment assets	654,112	1,084,079	366,809	2,105,000
Unallocated bank balances and certificate of deposit				161,282
Other unallocated assets				1,486
Elimination of inter-segment receivables				(255,862)
Consolidated assets				2,011,906
Segment liabilities	110,047	231,452	191,025	532,524
Elimination of inter-segment payables				(255,862)
Consolidated liabilities				276,662
Other segment information				
Amounts included in the measure of segment results or segment assets:				
Addition to non-current assets (Note)	31,689	58,980	2,987	93,656
Depreciation and amortisation	23,395	15,317	480	39,192
Gain on disposal of property, plant and equipment, net	(1)	—	—	(1)
Gain on disposal of lease prepayment for land use right, net	(15,683)	—	—	(15,683)
Interest and investment income	(4,810)	(27,247)	(4,100)	(36,157)
Amounts regularly provided to the CODM but not included in the measure of segment results:				
Unallocated finance cost	N/A	N/A	N/A	944
Foreign exchange loss	N/A	N/A	N/A	3,647
Income tax expense	15,653	13,090	48,487	77,230

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 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	43,298	19,621	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 amortisation	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)

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.

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 interest income, 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 unallocated bank balance and certificate of deposit of the Company and overseas subsidiaries and all liabilities are allocated to operating segments other than liabilities of the 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 7), contributing over 10% of the total revenue of the Group during the both year is as follows:

	For the year ended December 31,	
	2014	2013
	RMB'000	RMB'000
Beijing Yan Hua Hospital (北京燕化醫院) ("Yan Hua Hospital")	**260,270**	166,414
Beijing Jing Mei Hospital Group (北京京煤集團總醫院) ("Jing Mei Hospital")	**235,970**	147,032

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 (北京市門頭溝區醫院) ("Mentougou Hospital"), Beijing Mentougou Traditional Chinese Medicine Hospital (北京市門頭溝區中醫醫院) ("Mentougou TCM Hospital") and Beijing Mentougou Hospital for Women and Children (北京市門頭溝區婦幼保健院) ("Mentougou Hospital for Women and Children"). Pursuant to the IOT agreements, the Group is committed to provide (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 16 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, 2014

	Hospital management services RMB'000	Supply chain business RMB'000	Total RMB'000
Yan Hua Hospital	**30,067**	**230,203**	**260,270**
Jing Mei Hospital	**20,880**	**215,090**	**235,970**
Mentougou TCM Hospital	**5,468**	**41,442**	**46,910**
Mentougou Hospital	**3,723**	**114,063**	**117,786**
	60,138	**600,798**	**660,936**

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
Jing Mei Hospital	12,305	134,727	147,032
Mentougou TCM Hospital	3,767	19,887	23,654
Mentougou Hospital	3,445	75,623	79,068
	40,765	375,403	416,168

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, 2014 RMB'000	2013 RMB'000
Trade receivables:		
Yan Hua Hospital (Note 38.2)	**67,838**	56,871
Jing Mei Hospital	**52,962**	28,625
Mentougou Hospital	**21,790**	28,737
Mentougou TCM Hospital	**11,332**	8,538
	153,922	122,771

	As at December 31, 2014 RMB'000	2013 RMB'000
Receivables from the IOT Hospitals:		
Yan Hua Hospital	**32,409**	18,339
Mentougou Hospital	**28,003**	28,651
Mentougou TCM Hospital	**10,500**	10,767
Mentougou Hospital for Women and Children	**6,918**	—
	77,830	57,757
Less: current portion included in prepayments and other receivables (Note 25)	**(8,836)**	(6,573)
Non-current portion (Note 20)	**68,994**	51,184

(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, 2014 RMB'000	2013 RMB'000
Yan Hua Hospital	**174,930**	129,190
Jing Mei Hospital	**126,330**	134,220
Mentougou Hospital	**38,022**	40,398
Mentougou TCM Hospital	**12,650**	13,441
Mentougou Hospital for Women and Children	**8,098**	—
	360,030	317,249

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, RMB10 million and RMB63 million in 2011, 2012, 2013 and 2014, 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 (徐小捷) and Ms. Xu Jie (徐捷), who are beneficial shareholders with significant influence over the Company, 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 Beijing Jing Mei Group Co., Ltd (北京京煤集團有限責任公司) ("Beijing Jing Mei") 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.

On December 30, 2014, the Company and Beijing Jing Mei entered into a non-binding cooperation framework agreement ("Framework Agreement"), pursuant to which the parties agreed to establish a profitable joint venture company, Beijing Jing Mei General Hospital Co. Ltd (北京京煤集團總醫院有限責任公司) ("JV Company") for the overall restructuring of Jing Mei Hospital ("Proposed Restructuring"). Upon the establishment of the JV Company, the JV Company will be owned as to 70% by the Company and as to 30% by Beijing Jing Mei.

8. IOT ARRANGEMENTS (Continued)

(iv) Details of the IOT agreements (Continued)

Jing Mei Hospital (Continued)

The agreement in relation to the investment and management of Jing Mei Hospital dated May 5, 2011 and the relevant supplemental agreements entered into between the Group and Beijing Jing Mei will cease to be effective upon the completion of the Proposed Restructuring.

Up to the date of approval for issuance of the consolidated financial statements, there was no further development regarding the Framework Agreement.

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, and obtained the operating right 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.

Mentougou Hospital for Women and Children

On September 23, 2014, 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 for Women and Children, and obtained the operating right of Mentougou Hospital for Women and Children with a period of 16 years. Under the IOT agreement, the Group made Repayable Investment Amounts of RMB15 million to Mentougou Hospital for Women and Children in 2014, 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,	
	2014	2013
	RMB'000	RMB'000
Fee income from suppliers (Note)	**42,066**	58,686
Interest and investment income on:		
bank deposits	**14,366**	327
short-term investments	**28,935**	2,446
receivables from IOT Hospitals	**6,783**	7,860
Government grant	**877**	450
Others	**1,228**	1,364
	94,255	71,133

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

10. OTHER GAINS AND LOSSES

	For the year ended December 31,	
	2014	2013
	RMB'000	RMB'000
Gain/(loss) on disposal of property, plant and equipment	**1**	(1)
Gain on disposal of lease prepayments for land use right (Note 21(ii))	**15,683**	—
Foreign exchange loss	**(3,647)**	(6,989)
	12,037	(6,990)

11. FINANCE COSTS

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

12. OTHER EXPENSES

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

13. INCOME TAX EXPENSE

Income tax expense recognised in profit or loss:

	For the year ended December 31, 2014 RMB'000	2013 RMB'000
Current tax:		
PRC enterprise income tax ("EIT")	**77,496**	46,787
Deferred tax (Note 22)	**(266)**	78
Total income tax recognised in profit or loss	**77,230**	46,865

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

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

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

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

14. PROFIT FOR THE YEAR

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

	For the year ended December 31, 2014 RMB'000	2013 RMB'000
Depreciation of property, plant and equipment	**21,162**	18,968
Amortisation of lease prepayments for land use right	**3,397**	3,463
Amortisation of intangible assets (Included in cost of sales and services)	**14,633**	14,074
Total depreciation and amortisation	**39,192**	36,505
Cost of inventories recognised as expense	**771,435**	557,026
Operating lease rentals in respect of rented premises	**3,440**	2,022
Directors' emoluments (Note 15)	**7,068**	6,625
Other staff cost		
Salaries and other allowances	**121,528**	96,144
Retirement benefit contributions	**8,074**	5,696
Total staff costs	**136,670**	108,465
Auditor's remuneration	**2,500**	2,300

15. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS

15.1 Executive directors, chief executive and non-executive directors

The emoluments paid or payable to each of the twelve (2013: eleven) directors and the chief executive were as follows:

	For the year ended December 31, 2014			
	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) (Note i)	–	1,463	20	1,483
Ms. Xu Jie (徐捷女士)	–	1,811	20	1,831
Mr. Zhang Liang (張亮先生) (Note iii)	–	775	12	787
Mr. Xu Zechang (徐澤昌先生)	–	541	20	561
Mr. Jiang Tianfan (江天帆先生)	–	623	20	643
Mr. Zhang Xiaodan (張曉丹先生) (Note iii)	–	623	20	643
Non-executive Directors				
Mr. Yang Huisheng (楊輝生先生)	–	–	–	–
Mr. Zhu Zhongyuan (朱忠遠先生) (Note ii)	–	–	–	–
Mr. Rui Wei (芮偉先生) (Note ii)	–	–	–	–
Independent non-executive Directors				
Mr. Kwok Kong Kwong (鄺國光先生)	400	–	–	400
Ms. Cheng Hong (程紅女士)	240	–	–	240
Mr. Wang Bing (王冰先生)	240	–	–	240
Mr. Sun Jianhua (孫建華先生)	240	–	–	240
	1,120	5,836	112	7,068

15. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

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

	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

Notes:

(i) 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.

(ii) On July 3, 2014, Mr. Zhu Zhongyuan had tendered his resignation as a non-executive director of the Company and Mr. Rui Wei was appointed as a non-executive director of the Company.

(iii) On September 18, 2014, Mr. Zhang Liang had tendered his resignation as the director of the Company and Mr. Zhang Xiaodan was appointed as the director 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.

(iv) 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, CHIEF EXECUTIVE AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

15.2 Of the five individuals with the highest emoluments in the Group, three (2013: three) were directors of the Company for the year ended December 31, 2014 whose emoluments are included in the disclosures above. The emoluments of the remaining two(2013: two) individuals were as follows:

	For the year ended December 31,	
	2014	2013
	RMB'000	RMB'000
Salaries and allowance	**2,323**	1,133
Contributions to retirement benefits schemes	**33**	34
	2,356	1,167

Their emoluments were within the following bands:

	For the year ended December 31,	
	2014	2013
	No. of employees	No. of employees
HK$nil to HK$1,000,000	**1**	2
HK$2,000,001 to HK$2,500,000	**1**	—
	2	2

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

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

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

17. DIVIDENDS

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

Subsequent to the end of the reporting period, final dividend in respect of the year ended December 31, 2014 of HK$0.17 (2013: final dividend in respect of the year ended December 31, 2013 of HK$6.7 cents) per share has been proposed by the directors and is subject to approval by the shareholders at the forthcoming 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, 2013	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
Additions	—	1,161	20,253	527	3,493	10,808	36,242
Transfer	—	356	—	—	—	(356)	—
Disposals/write-off	(487)	—	(17,074)	(1)	(267)	—	(17,829)
At December 31, 2014	69,990	39,281	88,092	2,320	12,807	11,015	223,505
ACCUMULATED DEPRECIATION							
At January 1, 2013	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
Charge for the year	3,822	4,043	11,048	426	1,823	—	21,162
Eliminated on disposals/write-off	(462)	—	(17,071)	(1)	(258)	—	(17,792)
At December 31, 2014	39,377	15,483	23,233	1,299	5,821	—	85,213
CARRYING AMOUNT							
At December 31, 2013	34,460	26,324	55,657	920	5,325	563	123,249
At December 31, 2014	30,613	23,798	64,859	1,021	6,986	11,015	138,292

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, 2014, the carrying amounts of buildings without ownership certificates were approximately RMB10,926,000 (December 31, 2013: RMB12,322,000).

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 16 to 48 years. Details of the operating rights are disclosed in Note 8.

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

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

20. RECEIVABLES FROM IOT HOSPITALS

	As at December 31,	
	2014	2013
	RMB'000	RMB'000
Receivables from the IOT Hospitals:		
At beginning of the year	**57,757**	55,098
Payments to IOT Hospitals under IOT agreements	**20,586**	1,850
Repayment from IOT Hospitals	**(7,296)**	(7,051)
Interest and investment income	**6,783**	7,860
At the end of the year	**77,830**	57,757
Less: current portion included in prepayments and other receivables (Note 25)	**(8,836)**	(6,573)
At the end of the year	**68,994**	51,184

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 16 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 average effective interest rate of approximately 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, 2014 RMB'000	2013 RMB'000
Cost:		
At beginning of the year	**170,552**	170,552
Disposals (Note ii)	**(4,333)**	—
At the end of the year	**166,219**	170,552
Accumulated amortisation:		
At beginning of the year	**(9,234)**	(5,771)
Charge for the year	**(3,397)**	(3,463)
Disposals (Note ii)	**257**	—
At the end of the year	**(12,374)**	(9,234)
Carrying amount at the end of the year	**153,845**	161,318

Analyse for reporting purpose as:

	As at December 31, 2014 RMB'000	2013 RMB'000
Current portion included in prepayments and other receivables (Note 25)	**3,397**	3,463
Non-current portion	**150,448**	157,855
	153,845	161,318

Notes:

(i) 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".

(ii) On March 10, 2014, Jian Gong Hospital, a non-wholly owned subsidiary of the Company, entered into the Compensation Agreement (the "Agreement") with Xicheng District government of Beijing (北京市西城區政府). Pursuant to the Agreement, Jian Gong Hospital has received an aggregate amount of RMB19,759,000 from Xicheng District government as compensation for the leasehold land adjacent to the hospital. The disposal has resulted in the recognition of a gain amount to RMB15,683,000 in profit and loss.

22. DEFERRED TAX ASSETS

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

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

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

23. INVENTORIES

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

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

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of trade receivables that are past due but not impaired

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

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date that credit were initially granted up to the end of each reporting period. The Group's exposure to the concentration of credit risk is disclosed in Note 40.

25. PREPAYMENTS AND OTHER RECEIVABLES

	As at December 31, 2014 RMB'000	2013 RMB'000
Current portion of receivables from IOT Hospitals	**8,836**	6,573
Current portion of lease prepayment for land use right	**3,397**	3,463
Prepaid value-added tax	**7,485**	3,920
Prepaid rental	**897**	894
Fee income receivables	**—**	2,628
Others	**3,913**	1,984
	24,528	19,462

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 2.9% to 5.35% per annum which have been designated at fair value through profit or loss. The short-term investments as at December 31, 2014 were matured in February 2015 (December 31, 2013: January 2014).

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

27. CERTIFICATE OF DEPOSIT AND CASH AND CASH EQUIVALENTS

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

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

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

29. OTHER PAYABLES

	As at December 31,	
	2014	2013
	RMB'000	RMB'000
Staff cost payables	**17,063**	17,210
Other PRC tax payable	**11,313**	7,145
Deposits from suppliers	**9,650**	3,650
Payable for acquisition of the non-controlling interests (Note)	**7,115**	7,115
Deposits from patients	**5,053**	4,873
Retirement benefit obligations (Note 31.2)	**2,622**	2,621
Payable for purchase of property, plant and equipment	**1,709**	1,724
Unpaid expenses in relation to listing	**—**	5,887
Others	**4,081**	3,913
	58,606	54,138

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. BORROWINGS

	As at December 31, 2014 RMB'000	2013 RMB'000
Secured borrowings, fixed rate	–	200,000
Carrying amount repayable: Within one year	–	200,000
	–	200,000
Less: amounts due within one year shown under current liability	–	(200,000)
Amount due after one year	–	–

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, 2014 %	2013 %
Effective interest rate	N/A	10.00

As at December 31, 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.

31. RETIREMENT BENEFIT OBLIGATIONS

31.1 Defined contribution plans

The PRC employees of the Group are members of a state-managed retirement benefit plan operated by the government of the PRC. The PRC subsidiaries of the Company are required to contribute a specified percentage of payroll costs to the retirement benefit plan to fund the employee benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. The retirement benefit cost charged to profit or loss for the year ended December 31, 2014 amounts to RMB8,186,000 (December 31, 2013: RMB5,764,000).

31. RETIREMENT BENEFIT OBLIGATIONS (Continued)

31.2 Defined benefit plans

	As at December 31, 2014 RMB'000	2013 RMB'000
Total estimated benefit payable to retired staffs	**5,849**	7,886
Less: Amounts due within one year included in other payable (Note 29)	**(2,622)**	(2,621)
Amounts due after 12 months	**3,227**	5,265

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, 2014	2013
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**	88

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

	For the year ended December 31, 2014 RMB'000	2013 RMB'000
At beginning of the year	**7,886**	10,453
Benefit paid	**(2,037)**	(2,567)
At the end of the year	**5,849**	7,886

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 RMB556,000 (RMB602,000) for the year ended December 31, 2014 (2013: RMB612,000 (RMB671,000)).

31. RETIREMENT BENEFIT OBLIGATIONS (Continued)

31.2 Defined benefit plans (Continued)

If the expected average per capital disposable income growth increase (decrease) by 1%, the defined benefit obligation would increase (decrease) by RMB290,000 (RMB276,000) for the year ended December 31, 2014 (2013: RMB322,000 (RMB301,000)).

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 RMB1,543,000 (RMB1,486,000) for the years ended December 31, 2014 (2013: RMB1,758,000 (RMB1,242,000)).

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, 2014, the Group expected to make payment of RMB2,622,000 under the defined benefit plan in the next twelve months from the end of each reporting period (December 31, 2013: RMB2,621,000).

32. SHARE-BASED PAYMENTS

Share award scheme

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

From September to December in 2014, the Company incurred an amount of HK$221,856,000 (equivalent to approximately RMB175,684,000) to purchase the Company's existing shares of 16,044,500 from the market pursuant to the Scheme.

As of December 31, 2014, all the shares were held by the Trustee and the potential participants have not yet been selected by the Board of directors.

33. NON-WHOLLY OWNED SUBSIDIARY

Summarised financial information 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, 2014 and 2013. The summarised financial information below represents amount before intragroup eliminations.

	As at December 31,	
	2014	2013
	RMB'000	RMB'000
Current assets	**363,989**	312,164
Non-current assets	**286,533**	282,402
Current liabilities	**(106,637)**	(96,036)
Non-current liabilities	**(3,227)**	(5,265)
Total equity	**540,658**	493,265

	For the year ended December 31,	
	2014	2013
	RMB'000	RMB'000
Revenue	**560,059**	471,060
Expenses	**(512,671)**	(440,302)
Profit for the year	**47,388**	30,758
Profit attributable to non-controlling interests	**9,478**	6,152
Accumulated non-controlling interests	**108,132**	98,654
Net cash generated from operating activities	**93,046**	65,804
Net cash (used in) generated from investing activities	**(32,372)**	34,287
Net cash used in financing activities	**—**	(43,587)
Net cash inflow	**60,674**	56,504

34. CAPITAL

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

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

Notes:

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

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

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

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

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

(vi) On December 1, 2013, the Company further issued 30,136,000 shares 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.

34. CAPITAL (Continued)

Notes (Continued)

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

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

The shares repurchased were held by the Trustee pursuant to the Company's share award scheme as detailed in Note 32.

35. OPERATING LEASES

The Group as lessee

	As at December 31, 2014 RMB'000	2013 RMB'000
Minimum lease payments under operating leases		
Within one year	**3,238**	2,800
In the second to the third year inclusive	**2,026**	4,013
	5,264	6,813

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, 2014 RMB'000	2013 RMB'000
Commitment for acquisition of property, plant and equipment	**7,881**	5,659
Commitment for Repayable Investment Amounts to Yan Hua Hospital under IOT agreement	**—**	63,000
	7,881	68,659

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 and considering the insurance coverage, 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.

38. RELATED PARTY TRANSACTIONS

38.1 Names and relationships

Names and relationships with related parties are as follows:

Name	Relationship
Yan Hua Hospital	Entity controlled by an ultimate 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 an ultimate shareholder with significant influence over the Company
Speed Key Limited	Shareholder with significant influence over the Company which was controlled by an ultimate beneficial shareholder

38.2 Related party balances

At the end of each reporting period, other than the transactions with Yan Hua Hospital and receivables from Yan Hua Hospital under the IOT arrangements set out in Note 7, the Group had the following balances with related parties:

Amounts due from a related party

Trade in nature	As at December 31, 2014 RMB'000	2013 RMB'000
Yan Hua Hospital	**67,838**	56,871

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, 2014 RMB'000	2013 RMB'000
Within 60 days	**60,771**	45,503
61–180 days	**7,067**	11,368
	67,838	56,871

As at December 31, 2014 and 2013, the Group did not have amount due from a related party which was past due.

38. RELATED PARTY TRANSACTIONS (Continued)

38.3 Compensation of key management personnel

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

	For the year ended December 31,	
	2014	2013
	RMB'000	RMB'000
Short-term employees benefits	**9,279**	7,690
Post-employment benefits	**145**	102
	9,424	7,792

39. 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 30, 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.

40. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of financial instruments

	As at December 31,	
	2014	2013
	RMB'000	RMB'000
Financial assets:		
Loans and receivables (including cash and cash equivalents and certificate of deposit)	**1,238,879**	1,309,278
FVTPL	**77,300**	176,000
	1,316,179	1,485,278
Financial liabilities:		
Amortised cost	**199,482**	351,048

40. 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 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,	
	2014 **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000
US dollar	**–**	597	**962**	1,712
HK dollar	**–**	5,647	**26,156**	310,871

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,	
	2014 **RMB'000**	2013 RMB'000	**2014** **RMB'000**	2013 RMB'000
Profit or loss	**1,308**	15,261	**48**	56

40. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management objectives and policies (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to receivables from IOT hospitals (2013: receivables from IOT hospitals and fixed rate borrowings) 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.

The management of the Group considers the fluctuation in interest rates on bank balances and short-term investments is insignificant. Therefore, no sensitivity analysis is presented.

Other price risk

The Group is exposed to other price risk mainly through its investment in short-term investments. The management manages this exposure by only investing in investments operated by banks with good reputation.

The management of the Group considers the fluctuation in fair value changes on short-term investments is insignificant, taking into account the short- term duration of such financial products.

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.

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 on short-term investments which represent investments in financial products operated by banks. However, the credit risk on short-term investments is limited because 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 38.2 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.

40. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Financial risk management objectives and policies (Continued)

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 following table details the Group's remaining contractual maturity for its 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 and principal cash flows.

In addition, the following tables detail the Group's expected maturity for its 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 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 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, 2014								
Financial assets								
Receivables from IOT Hospitals	11.00	–	–	9,808	49,041	183,678	242,527	77,830
Trade receivables		65,615	28,120	–	–	–	93,735	93,735
Other receivables		3,130	783	–	–	–	3,913	3,913
Amounts due from a related party		54,270	13,568	–	–	–	67,838	67,838
Short-term investments	3.90	37,023	40,673	–	–	–	77,696	77,300
Certificate of deposit	2.31	250,065	134,501	–	–	–	384,566	384,027
Cash and cash equivalents		611,536	–	–	–	–	611,536	611,536
Total		1,021,639	217,645	9,808	49,041	183,678	1,481,811	1,316,179
Financial liabilities								
Trade payables		103,124	68,750	–	–	–	171,874	171,874
Other payables		16,565	11,043	–	–	–	27,608	27,608
Total		119,689	79,793	–	–	–	199,482	199,482

40. 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, 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 investments	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 30, all the borrowing amounted to RMB200,000,000 as of December 31, 2013 has been early terminated and settled in January 2014.

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 RMB77.3 million as at December 31, 2014 (December 31, 2013: RMB176 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.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

The Company has the following subsidiaries as at December 31, 2014:

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, 2013 %	December 31, 2014 %	Principal activities
Beijing Phoenix (Note i)	The PRC	RMB500,000,000	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 Phoenix Easylife Technology and Trade Co., Ltd. 北京鳳凰益生科貿有限公司*	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	100.00	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	100.00	100.00	Supply chain business
Unison Champ	The BVI January 7, 2013	USD1	100.00	100.00	Investment holding
Pinyu	The BVI January 3, 2013	USD1	100.00	100.00	Investment holding
Phoenix International	Hong Kong August 28, 2012	HKD1	100.00	100.00	Investment holding
Star Target	Hong Kong January 3, 2013	HKD1	100.00	100.00	Investment holding

* The entities are subsidiaries of Beijing Phoenix.

Notes:

(i) In 2014, the register capital of Beijing Phoenix was increased from RMB140.58 million to RMB500 million, which was subscribed by Phoenix International and Star Target with RMB251.52 million and RMB107.9 million separately. After the capital increase, Phoenix International and Star Target's shareholding in Beijing Phoenix remain unchanged.

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

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

42. FINANCIAL INFORMATION OF THE COMPANY

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

	Notes	At December 31, 2014 RMB'000	2013 RMB'000
Assets			
Investments in subsidiaries	(i)	1,141,060	—
Amounts due from subsidiaries		88,969	503,618
Certificate of deposit		72,848	704,450
Cash and cash equivalents		594	312,333
Prepayments and other receivables		—	8
		1,303,471	1,520,409
Liabilities			
Amounts due to subsidiaries		14,685	14,249
Other payables		—	5,887
		14,685	20,136
Net assets		1,288,786	1,500,273
Capital and reserves			
Share capital	34	166	166
Share premium and reserves	(ii)	1,288,620	1,500,107
Total equity		1,288,786	1,500,273

Notes:

(i) As at December 31, 2014, the Company's balance of investment in a subsidiary represents its investment cost in Unison Champ of 1 US dollar and the deemed investments arising from the waiver of amounts due from subsidiaries pursuant to the relevant written statements made by the Company during the year.

42. FINANCIAL INFORMATION OF THE COMPANY (Continued)

(ii) Movement of share premium and reserves is as follows:

	Share premium RMB'000	Accumulated losses RMB'000	Treasury share reserve 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
Purchase of shares under share award scheme	—	—	(175,684)	(175,684)
Dividend	(44,455)	—	—	(44,455)
Profit and total comprehensive income for the year	—	8,652	—	8,652
At December 31, 2014	1,497,815	(33,511)	(175,684)	1,288,620

43. EVENTS AFTER THE REPORTING PERIOD

Other than those disclosed in Note 17, the following significant events took place subsequent to December 31, 2014:

(i) On January 5, 2015, the Company and the People's Government of Baoding, Hebei Province, the PRC ("Baoding Government") entered into a non-binding framework agreement pursuant to which the Company agrees to set up a company, "Phoenix (Baoding) Investment Management Company Limited" (tentative name) (鳳凰醫療(保定)投資管理有限公司) ("Investment Company") to work with the public medical institutions and medical education institutions in Baoding and partake in the future healthcare construction projects organised by the Baoding Government through various cooperation modes mainly by the Public-Private-Partnership ("PPP") cooperation mode for the purposes of establishing an all-round healthcare services system in Baoding. The healthcare services system will focus on medical healthcare but will also cover elderly care, nursing and medical education, with an objective to provide diversified and multi-leveled medical services and healthcare management for the citizens in Baoding.

(ii) On January 6, 2015, the Company, the State Administration of Work Safety of the PRC ("Work Safety Authority") and Citic Trust Co., Ltd. ("Citic") entered into a non-binding cooperation framework agreement, pursuant to which the parties agreed to set up a joint venture company, "Zhongankang Healthcare Industry Investment (Beijing) Company Limited" (tentatively named) (the "JV Company I") to establish, with the reliance on the medical institutions and nursing facilities within the system of the Work Safety Authority, a healthcare network in Beijing and other cities in the PRC that can provide general healthcare, nursing and ambulance services to the employees of the Work Safety Authority and citizens.

At the early stage of the proposed cooperation, the JV Company I will implement asset restructuring on the China Meitan General Hospital ("Meitan"), which is under the Work Safety Authority located in Beijing, PRC, and the Occupational Medical Research Centre Shilong Hospital ("Shilong"), and cooperate with Meitan and Shilong under the PPP-ROT work model. Thereafter, the JV Company I will further explore cooperation opportunities with other medical institutions and nursing facilities under the Work Safety Authority.

43. EVENTS AFTER THE REPORTING PERIOD (Continued)

(iii) From January 20 to January 21, 2015, the Company purchased the Company's existing shares of 2,144,000 at a consideration of HK$30,218,000 pursuant to the Scheme. Up to the date of approval for issuance of the consolidated financial statements, nil share was granted to the potential participants.

(iv) On February 4, 2015, the Company as borrower entered into the Syndicated Loan Agreement under which the Company was granted a facility in the aggregate sum of US$150 million, with a repayment term of 3 years (which is extendable for another 2 years after the initial 3-year term), the interest rate of which is determined with reference to the three-month LIBOR plus 3.15% per annum. The syndicate under the Syndicated Loan Agreement is led by Deutsche Bank AG, with participation from a consortium of other banks (the "Lenders").

The facility will be guaranteed by existing offshore subsidiaries and future offshore subsidiaries of the Company and secured by first priority perfected security interests over 100% of the shares of the subsidiaries and etc. in favour of the security agent on behalf of the Lenders.

(v) On March 18, 2015, the Company and UMP Healthcare Holdings Limited (聯合醫務控股有限公司) ("UMP") entered into a non-binding framework agreement, pursuant to which the parties agreed to establish an investment holding company named UMP Phoenix Healthcare Limited (鳳凰聯合醫療有限公司) (the "JV Company II") on a 50:50 apportionment basis. The JV Company II will then invest in establishing a clinic network in Beijing. In parallel to establishing the JV Company II, the Company will also establish a separate investment holding company to purchase up to 20% of UMP from UMP's existing shareholders.

FINANCIAL SUMMARY

IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

	For the year ended December 31,				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CONSOLIDATED RESULTS					
Revenue	**1,206,265**	887,354	758,032	509,478	394,085
Profit before tax	**316,759**	143,009	147,278	78,718	65,032
Income tax expense	**(77,230)**	(46,865)	(36,544)	(20,217)	(16,023)
Profit and total comprehensive income for the year	**239,529**	96,144	110,734	58,501	49,009
Attributable to:					
Equity holders of the Company	**230,051**	89,992	101,088	48,130	42,812
Non-controlling interests	**9,478**	6,152	9,646	10,371	6,197
	239,529	96,144	110,734	58,501	49,009

	As at December 31,				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Total assets	**2,011,906**	2,124,038	1,020,860	1,134,678	664,310
Total liabilities	**(276,662)**	(408,184)	(443,102)	(338,739)	(357,424)
	1,735,244	1,715,854	577,758	795,939	306,886
Equity attributable to					
Equity holders of the Company	**1,627,112**	1,617,200	485,256	591,779	283,261
Non-controlling interests	**108,132**	98,654	92,502	204,160	23,625
	1,735,244	1,715,854	577,758	795,939	306,886

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
"BVI"	the British Virgin Islands
"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
"CG Code"	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"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
"China" or "PRC"	the People's Republic of China; for the purpose of this annual report only, references in this annual report 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.
"GDP"	gross domestic product
"Green Talent"	Green Talent Investments Limited, a limited liability company incorporated in the British Virgin Islands on March 26, 2012, our Shareholder
"Group", "our 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

DEFINITIONS

"IPO"	initial public offering of Shares and listing of the Group on the Stock Exchange on November 29, 2013
"JCI"	the Joint Commission International, an international arm of The Joint Commission. The Joint Commission is an independent, not-for-profit organization which accredits and certifies healthcare organizations and programs
"Jian Gong Hospital"	Beijing Jian Gong Hospital Co., Ltd. (北京市健宮醫院有限公司), a limited liability company incorporated under the laws of the PRC on May 12, 2003 and a subsidiary of our Company, and its predecessor, Beijing Construction Worker Hospital (北京市建築工人醫院), before its reform
"Jing Mei Hospital"	Jing Mei Hospital (北京京煤集團總醫院), a not-for-profit hospital incorporated under the laws of the PRC in 1956 and wholly owned by Beijing Coal, which we began managing in May 2011 pursuant to the Jing Mei IOT Agreement
"Jing Mei Hospital Group"	collectively, Jing Mei Hospital and seven Grade I hospitals and 11 community clinics affiliated with Jing Mei Hospital
"Jing Mei IOT Agreement"	collectively, the IOT agreement we entered into with Beijing Coal on May 5, 2011, as amended
"Listing Date"	the date which dealings in the Shares first commence on the Stock Exchange i.e. November 29, 2013
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended
"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 Hospital for Women and Children"	Mentougou Hospital for Women and Children (門頭溝婦幼保健院) incorporated under the laws of the PRC in 1983 and wholly owned by the Metougou District government, which we began managing in September 2014 pursuant to the Mentougou Hospital for Women and Children IOT Agreement
"Mentougou Hospital for Women and Children IOT Agreement"	the IOT agreement we entered into with the Mentougou District government on September 23, 2014
"Mentougou IOT Agreement"	collectively, the IOT agreement we entered into with the Mentougou District government on July 30, 2010, as amended
"Mentougou TCM Hospital IOT Agreement"	the IOT agreement we entered into with the Mentougou District government on June 6, 2012

"Mentougou Traditional Chinese Medicine Hospital"	Mentougou Traditional Chinese Medicine Hospital (北京市門頭溝區中醫院), a not-for-profit hospital incorporated under the laws of the PRC in 1956 and wholly owned by the Mentougou District government, which we began managing in June 2012 pursuant to the Mentougou TCM Hospital IOT Agreement
"Pinyu"	a limited liability company incorporated in the BVI on January 3, 2013, a wholly-owned subsidiary of our 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
"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 Award Scheme"	the share award scheme adopted by our Company pursuant to a resolution passed by the Board on July 7, 2014
"Share Option Scheme"	the share option scheme adopted by our Company pursuant to a resolution passed by our Shareholders on September 30, 2013
"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
"Syndicated Loan"	the facility granted to the Company pursuant to the Syndicated Loan Agreement
"Syndicated Loan Agreement"	the agreement we entered into with a consortium of lenders led by Deutsche Bank AG on February 4, 2015, whereby the Company was granted a facility in the aggregate sum of US$150.0 million with a repayment term of three year (which is extendable for another two years after the initial three-year term), the interest rate of which is determined with reference the three-month London Interbank Offered Rate plus 3.15% per annum

"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.

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