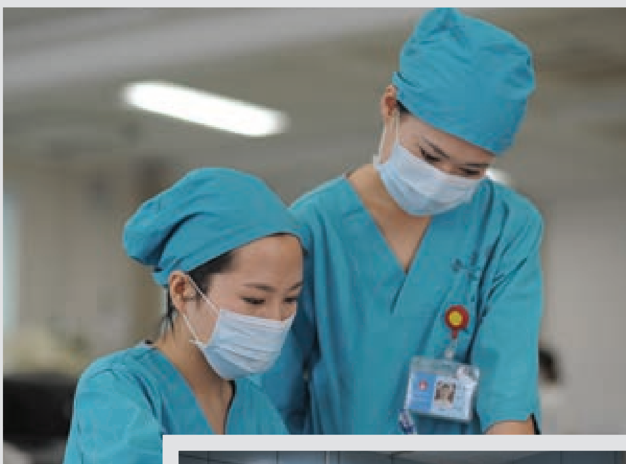
PHOENIX
HEALTHCARE
GROUP
凤凰医疗集团

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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1515

GLOBAL OFFERING



Joint Global Coordinators and Joint Sponsors
(in alphabetical order)

Deutsche Bank Group

Goldman Sachs

Joint Bookrunners and Joint Lead Managers

Deutsche Bank Group

Goldman Sachs

交銀國際
BOCOM International

IMPORTANT

If you are in any doubt about the contents of this prospectus, you should seek independent professional advice.

PHOENIX
HEALTHCARE
GROUP
凤凰医疗集团

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

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	**:**	**200,907,000 Shares (subject to the Over-allotment Option)**
Number of International Offer Shares	**:**	**180,816,000 Shares (subject to adjustment and the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**20,091,000 Shares (subject to adjustment)**
Maximum Offer Price	**:**	**HK$7.38 per Hong Kong Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund on final pricing)**
Nominal Value	**:**	**HK$0.00025 per Share**
Stock Code	**:**	**1515**

Joint Global Coordinators and Joint Sponsors

(in alphabetical order)

Deutsche Bank Group

Goldman Sachs

Joint Bookrunners and Joint Lead Managers

Deutsche Bank Group

Goldman Sachs

交銀國際 BOCOM International

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss whatsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" attached to Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

Please see "Risk Factors" in this prospectus for a discussion of certain risks that you should consider before investing in the Shares. The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, November 21, 2013 and, in any event, not later than Wednesday, November 27, 2013. The Offer Price will be not more than HK$7.38 and is currently expected to be not less than HK$5.88, unless otherwise announced. If, for any reason, the Offer Price is not agreed by Wednesday, November 27, 2013 between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$7.38 for each Offer Share, together with a 1% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee, subject to refund if the Offer Price should be lower than HK$7.38 as finally determined.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. For more details, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares". Please also see "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Ground for Termination".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe or purchase, and to procure applicants for the subscription or purchase of, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the US Securities Act and may not be offered or sold, pledged or transferred within the United States or to, or for the account or benefit of, US persons, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act. The Offer Shares are being offered and sold (1) solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the US Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S under the US Securities Act.

We confirm that the logo shown on the cover is a registered trademark of our Company.

November 18, 2013

EXPECTED TIMETABLE[1]

Latest time for completing electronic applications under **White Form eIPO** service through the designated website www.eipo.com.hk[2]	11:30 a.m. on November 21, 2013
Application lists open[3]	11:45 a.m. on November 21, 2013
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on November 21, 2013
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on November 21, 2013
Latest time for giving **electronic application instructions** to HKSCC[4]	12:00 noon on November 21, 2013
Application lists close[3]	12:00 noon on November 21, 2013
Expected Price Determination Date[5]	November 21, 2013

Announcement of

- the Offer Price;
- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allotment of the Hong Kong Public Offering

is expected to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	November 28, 2013
A full announcement of the Hong Kong Public Offering containing the information above will be published on the website of the Stock Exchange at www.hkexnews.hk[6] and our website at www.phg.com.cn[6] from	November 28, 2013
Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk with a "search by ID" function from	November 28, 2013
Despatch of Share certificates, White Form e-Refund payment instructions and refund cheques in respect of wholly or partially successful applications on or before[7][8][9]	November 28, 2013
Dealings in Shares on the Stock Exchange expected to commence at	9:00 a.m. November 29, 2013

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering" in this prospectus.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, November 21, 2013, the application lists will not open and close on that day. For more details, see "How to Apply for Hong Kong Offer Shares — 10. Effect of bad weather on the opening of the application lists". If the application lists do not open and close on Thursday, November 21, 2013 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made by us in such event.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for Hong Kong Offer Shares — 6. Applying By Giving Electronic Application Instructions to HKSCC via CCASS".

(5) We expect to determine the Offer Price by agreement with the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, November 21, 2013 and, in any event, not later than Wednesday, November 27, 2013. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and us by Wednesday, November 27, 2013, the Hong Kong Public Offering and the International Offering will not proceed. Notwithstanding that the Offer Price may be fixed at below the maximum offer price of HK$7.38 per Share payable by applicants for Hong Kong Offer Shares under the Hong Kong Public Offering, applicants for the Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$7.38 for each Share, together with the brokerage fee of 1%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.003% but will be refunded the surplus application monies as provided in "How to Apply for Hong Kong Offer Shares".

(6) None of the website or any of the information contained on the website forms part of this prospectus.

(7) Share certificates for the Offer Shares will become valid certificates of title at 8:00 a.m. on Friday, November 29, 2013 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.

(8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong Identity Card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong Identity Card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong Identity Card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong Identity Card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.

(9) Applicants who have applied on **WHITE** Application Forms or **White Form eIPO** for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information may collect refund cheques (where applicable) and/or Share certificates (where applicable) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Thursday, November 28, 2013. Applicants being individuals who opt for personal collection may not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering may collect their refund cheques, if any, in person but may not elect to collect their share certificates as such share certificates will be deposited into CCASS for the credit of their designated CCASS participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section "How to Apply for the Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies — (iv) If you Apply Via Electronic Application Instructions to HKSCC" for details. Uncollected share certificates and refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections "How to Apply for the Hong Kong Offer Shares — 13. Refund of Application Monies" and "How to Apply for the Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies".

The above expected timetable is a summary only. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, November 21, 2013, the application lists will not open and close on that day. Please refer to the section "How to Apply for the Hong Kong Offer Shares — Effect of Bad Weather on the Opening of the Application Lists". You should refer to the sections "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a Hong Kong Public Offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than in Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in any other jurisdiction are subject to restrictions and may not be made except as permitted under the applicable securities laws of any such jurisdiction pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of their respective directors, officers or representatives, or any other person or party involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors". You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are the largest private hospital group in China as measured by the number of beds in operation and patient visits at our in-network hospitals and clinics in 2012, according to the Frost & Sullivan Report. Our in-network hospitals and clinics offer a full spectrum of healthcare services from primary preventive care to acute care and post-operative rehabilitation. All of our in-network hospitals and clinics are strategically located in Beijing, one of the largest healthcare markets in China, according to the Frost & Sullivan Report. We own Jian Gong Hospital and manage the following third-party owned hospitals and clinics under the "invest-operate-transfer", or IOT, model (our "IOT hospitals and clinics"): Yan Hua Hospital Group, Mentougou Hospital, Jing Mei Hospital Group and Mentougou Traditional Chinese Medicine Hospital. As of June 30, 2013, our hospital network consisted of 11 general hospitals, one traditional Chinese medicine hospital and 28 community clinics, with a total of 3,213 beds in operation.

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

As an early entrant to China's public hospital reform, we have accumulated extensive and valuable experience in working with hospital owners, regulators and other key stakeholders in China's healthcare services industry. Ms. Xu Jie, our Founder and a Controlling Shareholder, participated in the reform of Jian Gong Hospital to acquire its majority equity interest in 2000, which was the first privatization of an SOE-owned hospital in Beijing. In 2010, we began to manage Mentougou Hospital, which was the first government-owned hospital in Beijing to outsource its management through a public-private partnership ("PPP").

Leveraging our successful track record in public hospital reform, we have used the IOT model to significantly expand our hospital network. During the Track Record Period, we added nine general hospitals, one traditional Chinese medicine hospital and 11 community clinics, with a total of 2,110 beds in operation, to our network through the IOT model. Under the IOT model, we agree to make a fixed investment to improve the medical facilities as well as clinical services of a hospital in exchange for the right to manage and operate that hospital. We receive performance-based management fees and the ability to supply pharmaceuticals, medical devices and medical consumables for a period ranging from 19 to 48 years. If the relevant IOT agreements are not renewed or extended after such period, the management rights will be transferred back to the hospital owner. As compared to acquiring public hospitals, the IOT model generally allows us to manage and operate hospitals with much less investment. Moreover, the IOT model does not change the public, not-for-profit nature of these public hospitals and is therefore preferred by such public hospital owners.

The rapid growth of our hospital network during the Track Record Period has led to the growth of our supply chain business. As a result of our management rights over in-network hospitals and clinics, we are able to control, consolidate and manage the procurement needs of these hospitals and clinics. In particular, our supply chain business consolidates the procurement needs of the in-network hospitals and clinics to obtain volume discounts from our suppliers. Therefore, we are able to generate supply chain business revenue by selling pharmaceuticals, medical devices and medical consumables to our in-network hospitals and clinics. We either purchase pharmaceuticals, medical devices and medical consumables from suppliers for resale to our in-network hospitals, or arrange for our in-network hospitals to purchase these items directly from suppliers. Our supply chain business primarily serves our in-network hospitals and generally does not supply other third-party hospitals.

Our model of operating a network of geographically concentrated hospitals rather than a single hospital creates economies of scale and additional synergies, which has led to better healthcare service quality, resource sharing, operating efficiency and profitability. The performance of all of our IOT hospitals and clinics, as measured by total patients visits and ALOS, has generally improved since the first full year of our management. Under our management, Jian Gong Hospital and Yan Hua Hospital received JCI accreditation in 2010. As of June 30, 2013, Jian Gong Hospital and Yan Hua Hospital were two out of the only three hospitals in Beijing that received such accreditation. This further enhances our reputation for clinical excellence and helps us to attract additional patients as well as experienced doctors and other medical professionals.

We grew significantly during the Track Record Period. Our in-network hospitals and clinics increased from two general hospitals and 17 community clinics, with a total of 1,103 beds in operation, as of January 1, 2010 to 11 general hospitals, one traditional Chinese medicine hospital and 28 community clinics, with a total of 3,213 beds in operation, as of June 30, 2013. Our revenue increased from RMB394.1 million in 2010 to RMB509.5 million in 2011 and to RMB758.0 million in 2012, representing a CAGR of 38.7%, and increased by 30.5% from RMB321.5 million in the six months ended June 30, 2012 to RMB419.7 million in the six months ended June 30, 2013. Our net profit also increased from RMB49.0 million in 2010 to RMB58.5 million in 2011 and to RMB110.7 million in 2012, representing a CAGR of 50.3%, and increased by 12.9% from RMB46.4 million in the six months ended June 30, 2012 to RMB52.4 million in the six months ended June 30, 2013.

OUR CUSTOMERS AND SUPPLIERS

During the Track Record Period, our major customers were our IOT hospitals and clinics, which are Yan Hua Hospital Group, Mentougou Hospital, Jing Mei Hospital Group and Mentougou Traditional Chinese Medicine Hospital. We receive management fees from, and sell pharmaceuticals, medical devices and medical consumables to, these hospitals. Our IOT hospitals and clinics were our top four customers in 2012 and the six months ended June 30, 2013, accounting for 46.8% and 48.8% of our revenue during these periods, respectively. Our remaining customers are individual patients to whom we directly provide healthcare services at Jian Gong Hospital.

Our suppliers during the Track Record Period are primarily China-based distributors that provide pharmaceuticals, medical devices and medical consumables and equipment for use by our in-network hospitals and clinics. In 2010, 2011, 2012 and the six months ended June 30, 2013, our five largest suppliers in aggregate accounted for 43.5%, 38.6%, 56.3% and 58.1% of our total purchases, respectively. Our purchases from the largest supplier accounted for 11.9%, 11.4%, 45.5% and 43.6% of our total purchases in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. Hong Hui was our largest supplier in 2012 and the six months ended June 30, 2013.

Supply Agreement with Hong Hui

To further consolidate our procurement needs and to achieve better efficiency and greater economies of scale, we entered into a one-year supply agreement with Hong Hui Pharmaceutical Co., Ltd. (紅惠醫藥有限公司 or "Hong Hui") on January 10, 2012 for the supply of pharmaceuticals to Jian Gong Hospital, Yan Hua Hospital Group and Jing Mei Hospital Group. The agreement was renewed for one year on December 27, 2012 and October 22, 2013, respectively, and the terms remained substantially the same. The newly signed supply agreement with Hong Hui on October 22, 2013 will expire on December 31, 2014 and may be renewed upon mutual consent prior to November 30, 2014.

In consideration of granting to Hong Hui the priority to supply pharmaceuticals for these three hospitals, Hong Hui agrees to provide us with minimum annual economic benefit ("Minimum Economic Benefit") which is based on a percentage of the total pharmaceutical purchases made by Jian Gong Hospital, Yan Hua Hospital Group and Jing Mei Hospital Group except for certain pharmaceuticals such as prepared traditional Chinese medicine (中藥飲片) and pharmaceuticals sold at community clinics (the "Excluded Pharmaceuticals"). Based on the information extracted from the Hospital Information Systems (HIS) of Jian Gong Hospital, Yan Hua Hospital Group and Jing Mei Hospital Group, the three hospitals purchased a total of approximately RMB625.3 million, RMB254.5 million and RMB363.5 million of pharmaceuticals in 2012 and the six months ended June 30, 2012 and June 30, 2013, respectively, excluding the purchases of the Excluded Pharmaceuticals. We were entitled to RMB84.9 million of Minimum Economic Benefit from our agreement with Hong Hui in 2012, of which RMB28.4 million was recorded as fee income from suppliers in other income because the corresponding sales of pharmaceuticals to these three hospitals were conducted between these three hospitals and suppliers (including Hong Hui) directly. The Minimum Economic Benefit in the six months ended June 30, 2012 and June 30, 2013 was RMB34.0 million and RMB50.5 million, respectively, of which RMB12.5 million and RMB23.0 million, respectively, was recorded as fee income from suppliers in other income. The following table sets forth the Minimum Economic Benefit for the periods indicated:

	Year ended December 31,	Six months ended June 30,	
	2012	2012	2013
	(in millions of RMB)		
Minimum Economic Benefit	84.9	34.0	50.5
including: fee income from suppliers	28.4	12.5	23.0

For more details regarding the financial impact of the supply agreement with Hong Hui, see "Financial Information — Description of Components of Results of Operations — Gross Profit — Supply Chain Business" beginning on page 241.

We are entitled to terminate this agreement under certain circumstances, including Hong Hui's failure to pay the deposit, medical disputes or damage to our reputation caused by defective or substandard pharmaceuticals supplied by Hong Hui, and Hong Hui's inability to fulfill its obligations due to government regulatory proceeding. Hong Hui is also required to pay a deposit of RMB24.5 million, RMB8.0 million and RMB8.0 million, respectively, to secure its obligations under the 2012, 2013 and 2014 supply agreements with us. For more details on the terms of the supply agreements with Hong Hui, see "Business — Our Suppliers — Supply agreement with Hong Hui" beginning on page 172. For more details on the risks associated with this arrangement, see "Risk Factors — Risk Factors Related to Our Business and Industry — The profitability of our supply chain business may be materially reduced if the supply agreement between Hong Hui and us is terminated or not renewed, or if Hong Hui fails to honor its obligations" beginning on page 38.

INDUSTRY TRENDS AND COMPETITION

Our historical and future performance has been, and is expected to be, affected by the general trends of China's healthcare services industry, and in particular the healthcare services industry in Beijing. The Frost & Sullivan Report indicates that China's healthcare expenditure grew at a CAGR of 29.6% from 2008 to 2011 while its healthcare expenditure as a percentage of GDP and on a per capita basis is still low compared to many developed countries, which evidences potential growth in China's healthcare services market. According to the Frost & Sullivan Report, total patient visits in China increased from 5.02 billion in 2008 to 7.07 billion in 2012, representing a CAGR of 8.9%, and is expected to reach 12.83 billion in 2017, representing a CAGR of 12.7% from 2012.

Beijing is one of the largest healthcare markets in China, according to the Frost & Sullivan Report. It is supported by a large number of middle-class residents, patients from other regions, a well-established medical insurance scheme, and the largest hospital infrastructure in China. According to the Frost & Sullivan Report, the total revenue of healthcare services market in Beijing grew from RMB59.4 billion in 2008 to RMB114.4 billion in 2012, representing a CAGR of 17.8%, and is expected to further grow to RMB222.3 billion in 2017 at a CAGR of 14.2%. For more details on the drivers of these industry trends, see "Industry Overview" beginning on page 70.

The hospital and healthcare service industry in China is highly fragmented with numerous market participants. For example, we were the largest private hospital group in China in terms of the number of beds in operation, according to the Frost & Sullivan Report, with 3,194 beds in 2012. However, this represents less than 0.1% of the 4.2 million total beds in operation and approximately 0.55% of the 582,000 private hospital beds in China in 2012, according to the Frost & Sullivan Report. Hospitals compete primarily with other hospitals in their areas of operation. Other key competitive factors among hospitals include healthcare service quality, price, reputation and convenience. Public hospitals in China play a dominant role in healthcare services, but private hospitals represent a fast growing segment in the industry. According to the Frost & Sullivan Report, future trends for private hospitals in China will include the establishment of new hospitals and the privatization of existing public hospitals through equity investments or PPP. At present, competition for management rights over public hospitals among general hospital operators is not intense primarily because this industry is still in its early stages of development in China, according to the Frost & Sullivan Report.

PRICE CONTROLS

The price of most pharmaceuticals, medical devices and medical consumables in China is subject to government price and profit margin controls. When sold to medical institutions in China, the wholesale price of pharmaceuticals, medical devices and medical consumables on the price control list may not exceed the "bidding price" or other price ceiling set by the local government authority. The retail price of most pharmaceuticals sold by medical institutions to patients must adhere to a fixed 15% profit margin ceiling set by the PRC government. As a result, the retail price cannot exceed 115% of the "bidding price" for most pharmaceuticals. The retail prices of medical devices and medical consumables are subject to similar restrictions. For more details, see "Business — Price Control and Pricing" beginning on page 146, "PRC Laws, Rules and Regulations — Laws and Regulations on Pharmaceutical Distribution — Regulations on Centralized Pharmaceutical Procurement by Medical Institutions" beginning on page 101 and "PRC Laws, Rules and Regulations — Regulations on the Supervision Over the Procurement of Medical Consumables" beginning on page 103. Hospitals in China generally purchase pharmaceuticals, medical devices and medical consumables at the "bidding price" to maximize their gross profit from sales to patients. Most of pharmaceuticals, medical devices and medical consumables procured and resold by our supply chain business are subject to "bidding price" controls. Accordingly, our supply chain business purchases pharmaceuticals, medical devices and medical consumables at the prices negotiated with our suppliers and then resell them to our in-network hospitals and clinics at the "bidding price" set by the government authorities. Through this model, our supply chain business makes a profit from the difference between the negotiated prices and the "bidding price", and our in-network hospitals and clinics make the up-to 15% profit in compliance with the profit margin ceiling for sales of pharmaceuticals and other maximum profit permitted by the relevant regulations from sales of medical devices and medical consumables to patients.

The PRC government also regulates healthcare services fees charged to patients who are covered by the three major public medical insurance programs. For more details, see "PRC Laws, Rules and Regulations — Legal Supervision over the Healthcare Sector in China — Categories of Medical Institutions in China" beginning on page 92. We derive a significant portion of our revenue from the provision of healthcare services at Jian Gong Hospital to individual patients with public medical insurance coverage. The management fees we can collect depend on the performance of our IOT hospitals and clinics, which also derive a substantial majority of their revenue from patients with public insurance coverage.

During the Track Record Period, the NDRC and the Beijing government did not make significant adjustments to the "bidding prices" or the healthcare service fees. Both the NDRC and the Beijing government made a significant downward adjustment to the "bidding prices" of a large number of pharmaceuticals in 2009. Subsequently, they conducted *ad hoc* public auctions relating to certain pharmaceuticals from time to time and adjusted the "bidding prices" of such pharmaceuticals from 2009 to 2011. Such price controls did not have a significant impact on our results of operations during the Track Record Period, as demonstrated by the average spending on pharmaceuticals per patient visit of our in-network hospitals and clinics during this period. For more details on the impact of price controls on our results of operations, see "Financial Information — Factors Affecting Our Financial Condition and Results of Operations — Healthcare Reform, Price Control and Other Healthcare Policies in China" beginning on page 221.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and distinguish us from our competitors:

- largest private hospital group in China;
- first-mover advantage positioning us to capture growth opportunities in China's public hospital reform;
- innovative business model capturing multiple parts of the value chain and realizing synergies;
- strategic focus on Beijing, the largest healthcare market in China; and
- experienced management team and professional experts.

OUR STRATEGIES

Our goal is to become the leading hospital group in Asia, offering patients high quality and cost-effective healthcare services and facilitating the development of China's healthcare service industry. To accomplish this goal, we plan to implement the following strategies:

- strengthen market leadership by continuing to expand our network of hospitals and clinics;
- further centralize key functionalities and standardize the operations of in-network hospitals and provide such services to other hospitals;
- further improve the quality of healthcare services provided by our in-network hospitals and clinics; and
- expand premium healthcare services for high-end patients.

RISK FACTORS

There are certain risks involved in our operations set forth in "Risk Factors" in this prospectus beginning on page 36. **You should read the "Risk Factors" section in its entirety before you decide to invest in the Offer Shares**. Some of the major risk factors we face include:

- Changes in China's regulatory regime for the healthcare service industry, particularly changes in public medical insurance programs or healthcare reform policies, could have a material adverse effect on our business.
- If we fail to successfully manage our in-network hospitals and clinics, our revenue and profitability may suffer.
- We may be unable to identify and capture expansion opportunities for new hospitals, which may place us at a competitive disadvantage and limit our growth.
- If we are unable to recruit, train and retain an appropriate number of doctors, other medical professionals and staff, hospital administrators and managers for our in-network hospitals, our business may suffer.
- The profitability of our supply chain business may be materially reduced if the supply agreement between Hong Hui and us is terminated or not renewed, or if Hong Hui fails to honor its obligations.

SUMMARY OF HISTORICAL COMBINED FINANCIAL INFORMATION

The following tables set forth, for the periods indicated, selected financial and operating data from our combined financial information. For more details on the financial information, see the Accountants' Report in Appendix I to this prospectus.

Summary Combined Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
							(unaudited)			
	(in thousands of RMB, except percentage data)									
Revenue	394,085	100.0%	509,478	100.0%	758,032	100.0%	321,545	100.0%	419,692	100.0%
Cost of sales and services	301,164	76.4	386,729	75.9	573,228	75.6	246,474	76.7	332,268	79.2
Gross profit	92,921	23.6	122,749	24.1	184,804	24.4	75,071	23.3	87,424	20.8
Profit before tax	65,032	16.5	78,718	15.5	147,278	19.4	61,579	19.2	70,161	16.7
Profit and total comprehensive income for the year/period	49,009	12.4%	58,501	11.5%	110,734	14.6%	46,364	14.4%	52,416	12.5%

Summary Combined Statements of Cash Flows

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in thousands of RMB)				
Net cash generated from operating activities	70,057	62,352	166,419	76,522	72,065
Net cash used in investing activities	(328,099)	(36,120)	(102,200)	(94,476)	(58,076)
Net cash generated from (used in) financing activities	298,011	230,081	(282,083)	(251,719)	1,598
Net increase (decrease) in cash and cash equivalents	39,969	256,313	(217,864)	(269,673)	15,587
Cash and cash equivalents at beginning of the year/period	34,706	74,675	330,988	330,988	113,124
Effect of foreign exchange rate charges	–	–	–	–	(465)
Net cash and cash equivalents at end of the year/period	74,675	330,988	113,124	61,315	128,246

Summary Combined Statements of Financial Position

	As of December 31,			As of June 30, 2013
	2010	2011	2012	
	(in thousands of RMB)			
Non-current assets	254,489	644,880	655,649	648,851
including: intangible assets	108,162	155,456	323,173	316,228
Current assets	409,821	489,798	365,211	535,549
Current liabilities	144,835	328,286	202,369	565,681
Net current assets/(liabilities)	**264,986**	**161,512**	**162,842**	**(30,132)**
Total assets less current liabilities	519,475	806,392	818,491	618,719
Non-current liabilities	212,589	10,453	240,733	239,029
Net assets	**306,886**	**795,939**	**577,758**	**379,690**
Equity attributable to equity holders of the Company	283,261	591,779	485,256	285,126
Non-controlling interests	23,625	204,160	92,502	94,564
Total equity	**306,886**	**795,939**	**577,758**	**379,690**

Accounting treatment for capital investments made in IOT hospitals and clinics

During the Track Record Period, the capital investments we made in our IOT hospitals and clinics are categorized into (a) investment amounts that will not be returned to us and (b) investment amount that will be repaid to us pursuant to the terms of the relevant IOT agreements. We account for our capital investments made pursuant to the relevant IOT agreements as follows:

Investment amounts that will not be returned to us

Investment amounts that will not be returned to us by IOT hospitals and clinics are accounted for as intangible assets, which represent the management rights acquired pursuant to the IOT agreements and are subject to amortization charges to the cost of sales and services in the combined statements of profit or loss and other comprehensive income over the tenure of the respective IOT agreements. These investments include our initial investment under the Yan Hua IOT Agreement in 2008 and investments under the Jing Mei IOT Agreement.

Investment amount that will be repaid to us pursuant to the terms of the relevant IOT agreements

Our capital investments under the Mentougou IOT Agreement and the Mentougou TCM Hospital IOT Agreement and certain investments under the Yan Hua IOT Agreement are treated as repayable investment amounts to these IOT hospitals and clinics because they will be repaid to us pursuant to the terms of the respective IOT agreements. Such investment amounts are accounted for as:

(a) *receivables from IOT hospitals*, being the fair value of the repayable investment amounts made to the IOT hospitals determined upon initial recognition. Such receivables from IOT hospitals are measured at amortized cost using the effective interest method in subsequent periods; and

(b) *intangible assets*, being the difference between (i) the repayable investment amounts made to the IOT hospitals and clinics and (ii) fair value of the repayable investment amounts determined upon initial recognition. Such intangible assets are subject to amortization charges to the cost of sales and services in the combined statements of profit or loss and other comprehensive income over the tenure of the respective IOT agreements.

In subsequent periods, interest income on receivables from IOT hospitals are recognized using the effective interest method and accreted to the carrying amount of the receivables from IOT hospitals. The repayment of investment amount is accounted for as reduction in the carrying amount of the receivables from IOT hospitals.

For more details, see "Financial Information — Accounting Treatment for Capital Investments Made in IOT Hospitals and Clinics" beginning on page 232.

Summary Segment Data

		Year Ended December 31,			Six months ended June 30,	
		2010	2011	2012	2012	2013
					(unaudited)	
		(in thousands of RMB, except for percentage data)				
General hospital services	Segment revenue	288,412	323,987	403,109	188,566	214,692
	Gross margin	20.9%	20.0%	18.4%	19.4%	17.2%
	Segment results[1]	38,628	41,164	40,759	23,025	16,334
Hospital management services	Segment revenue	16,348	19,412	40,277	12,647	9,861
	Gross margin	90.7%	83.7%	69.3%	52.1%	29.6%
	Segment results[1]	13,869	19,264	26,588	7,805	2,503
Supply chain business	Segment revenue	151,121	264,414	431,020	175,182	248,304
	Gross margin	11.8%	15.8%	19.2%	18.2%	19.2%
	Segment results[1]	15,532	37,148	102,999	41,880	64,165

1 Segment results represent the profit before income tax generated by each segment, without allocation of finance cost relating to borrowings, except for the general hospital services segment. We use this measure to assess our segment performance. For more details, see Note 7 to the Accountants' Report in Appendix I to this prospectus beginning on page I-24.

Segment Revenue by Hospital

The following table sets forth the segment revenue derived from our in-network hospitals during the Track Record Period.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Jian Gong Hospital					
General hospital services[1]	288.4	324.0	403.1	188.6	214.7
Supply chain business[2]	61.8	98.3	116.4	54.9	53.2
Yan Hua Hospital Group					
Hospital management services	16.3	18.0	22.6	6.4	1.9
Supply chain business	88.9	158.2	170.6	70.6	81.6
Mentougou Hospital					
Hospital management services[3]	N/A	1.4	5.4	1.0	2.4
Supply chain business	N/A	7.8	31.8	13.7	29.7
Jing Mei Hospital Group					
Hospital management services[4]	N/A	N/A	12.2	5.3	5.6
Supply chain business	N/A	0.1	110.0	36.0	77.0
Mentougou Traditional Chinese Medicine Hospital					
Hospital management services[5]	N/A	N/A	N/A	N/A	—
Supply chain business	N/A	N/A	2.2	N/A	6.6

1 General hospital services segment revenue also includes revenue generated by our Phoenix VIP services, carried out through Beijing Easylife, of RMB9.0 million, RMB5.2 million, RMB3.5 million, RMB1.9 million and RMB1.2 million in 2010, 2011, 2012 and the six months ended June 30, 2012 and June 30, 2013, respectively.

2 Segment revenue from sales to Jian Gong Hospital is recorded as inter-segment revenue and eliminated from our total revenue.

3 We began managing Mentougou Hospital in August 2010 and started to collect management fees in 2011.

4 We began managing Jing Mei Hospital Group in May 2011 and started to collect management fees in 2012.

5 We began managing Mentougou Traditional Chinese Medicine Hospital in June 2012 and became entitled to collect management fees in 2013, but did not recognize any during the Track Record Period.

Summary Operating Data

The following tables set forth certain operating data of our Group and our in-network hospitals and clinics during the Track Record Period:

	Year Ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
Number of owned and IOT hospitals[1]	3	11	12	12	12
Number of IOT clinics[1]	17	28	28	28	28
Number of beds in operation[1]	1,345	2,797	3,194	3,177	3,213
Patient visits (thousands)	1,366	2,256	3,050	1,397	1,509
Inpatient visits (thousands)	25	42	51	25	27
Outpatient visits (thousands)	1,341	2,214	2,999	1,372	1,482

1 The numbers presented are as of the end of the relevant period.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
Jian Gong Hospital					
Inpatient (thousands)	8.4	9.6	11.5	5.6	5.5
Outpatient (thousands)	384.6	462.6	597.9	265.7	308.2
Average spending per inpatient visit (RMB)	12,961	12,382	13,127	13,645	14,788
Average spending per outpatient visit (RMB)	432	415	417	403	431
Yan Hua Hospital Group					
Inpatient (thousands)	12.4	12.5	13.5	6.4	6.8
Outpatient (thousands)	614.8	701.5	778.1	350.9	388.0
Average spending per inpatient visit (RMB)	12,448	12,925	14,230	14,249	14,996
Average spending per outpatient visit (RMB)	386	398	423	404	456

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
Mentougou Hospital					
Inpatient (thousands)	4.6	5.5	8.8	4.0	4.6
Outpatient (thousands)	341.6	374.8	482.1	218.0	249.3
Average spending per inpatient visit (RMB)	13,079	12,109	13,110	12,189	14,160
Average spending per outpatient visit (RMB)	245	276	312	284	342
Jing Mei Hospital Group					
Inpatient (thousands)	12.2	14.8	16.3	7.8	9.1
Outpatient (thousands)	518.7	675.0	791.3	366.4	371.6
Average spending per inpatient visit (RMB)	18,998	17,396	17,823	18,205	17,856
Average spending per outpatient visit (RMB)	312	313	332	340	420
Mentougou Traditional Chinese Medicine Hospital					
Inpatient (thousands)	1.8	1.7	1.2	0.9	0.5
Outpatient (thousands)	271.5	320.0	349.0	170.9	165.0
Average spending per inpatient visit (RMB)	9,934	9,715	8,843	8,307	8,818
Average spending per outpatient visit (RMB)	260	258	259	251	295

OFFER STATISTICS[1]

We expect to issue 200,907,000 Shares under the Global Offering.

	Based on an Offer Price per Share of HK$5.88	Based on an Offer Price per Share of HK$7.38
Market capitalization[2]	HK$4,725 million	HK$5,931 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share[3]	RMB1.03 (HK$1.30)	RMB1.31 (HK$1.66)

1 All statistics in this table assume that the Over-allotment Option is not exercised.

2 The calculation of market capitalization is based on 803,627,000 Shares expected to be in issue following completion of the Global Offering.

3 The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus and on the basis of a total of 803,627,000 Shares expected to be in issue upon completion of the Global Offering, and taking into account the indicative Offer Prices of HK$5.88 and HK$7.38 per Offer Share.

LISTING EXPENSES

We have incurred legal, professional and other fees with respect to the Listing. In accordance with the relevant accounting standards, listing related fees that are directly attributable to issuance of new Shares are recorded as prepaid expenses, which will be deducted from equity upon Listing. The remaining listing related fees are charged to statements of profit or loss and other comprehensive income. It is expected that approximately RMB36.0 million of listing related expenses will be charged to our combined statements of profit or loss and other comprehensive income for the year ending December 31, 2013. Listing expenses that have been incurred as of the Latest Practicable Date but not reflected in the Company's audited combined statements of profit and loss as of June 30, 2013 totaled approximately RMB34.2 million.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$1,228 million (after deducting the underwriting fees and expenses payable by us in the Global Offering), assuming the Over-allotment Option is not exercised and an Offer Price of HK$6.63 per Share, being the mid-point of the offer price range stated in this prospectus. We intend to use these net proceeds for the following purposes:

Item	Use of proceeds	% of the net proceeds	in millions of HK$
1	Finance the expansion of our hospital network with a strategic focus in Beijing, through both PPP and acquisition	36%	444
2	Repay the entire outstanding loan from our major shareholder, Speed Key Limited, at an interest rate of 12% per annum, in connection with the exchangeable notes issued by Speed Key Limited to Noteholders	28%	340
3	Capital expenditure to reconstruct certain facilities of, and to purchase medical equipment for, Jian Gong Hospital by 2015	11%	140
4	Establish an advanced clinical testing and laboratory center at Group level by 2015	8%	101
5	Payment of capital commitment to Yan Hua Hospital Group by 2015	7%	80
6	Working capital and other general corporate purposes	10%	123

Should the Offer Price be determined at HK$5.88 per Share (being the low-end of the indicative Offer Price range), or at HK$7.38 per Share (being the high-end of the indicative Offer Price range), the net proceeds that we will receive will be approximately HK$1,083 million and approximately HK$1,372 million, respectively. If the Over-allotment Option is exercised in full, we will receive additional net proceeds of approximately HK$192 million, assuming an offer price of HK$6.63 per Share, being the mid-point of the indicative Offer Price range. In any of these events, we intend to allocate 10% of the net proceeds received by us for our working capital and other general corporate purposes. The net proceeds we intend to allocate for items 2, 3, 4 and 5 as disclosed in the table above will remain the same and the remaining net proceeds will be used to finance the expansion of our hospital network. Although we have no plans as of the Latest Practicable Date to execute any equity investment or property acquisition or enter into a PPP, we engage in discussions with public hospitals regarding any form of cooperation from time to time.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes, the Directors may allocate part or all of the proceeds to short-term interest-bearing deposits and/or money-market instruments with authorized financial institutions and/or licensed banks in Hong Kong and/or the PRC.

We will issue an appropriate announcement if there is any material change in the abovementioned use of proceeds.

DIVIDENDS AND DIVIDEND POLICY

The amount of dividends we paid or declared during the Track Record Period was nil. After completion of the Global Offering, our Shareholders will be entitled to receive dividends that we declare. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. For more details, see "Financial Information — Dividends and Dividend Policy" beginning on page 277.

SHAREHOLDER INFORMATION AND CONNECTED TRANSACTIONS

Ms. Xu Jie (徐捷) and Ms. Xu Xiaojie (徐小捷) are our Controlling Shareholders. Ms. Xu Xiaojie is the daughter of Ms. Xu Jie. Immediately following the completion of the Global Offering, Ms. Xu Xiaojie will own 34.51% of our Shares through Speed Key Limited.

Ms. Xu Xiaojie and Ms. Xu Jie, our Controlling Shareholders, collectively own the entire equity interest in Beijing Wantong. Beijing Wantong indirectly owns the entire equity interest in Yan Hua Phoenix, which in turn is the sole owner (舉辦人) of Yan Hua Hospital Group. As such, Yan Hua Phoenix and Yan Hua Hospital Group are "connected persons" under the Listing Rules. We have two continuing connected transactions with Yan Hua Hospital Group: (i) the Yan Hua IOT Agreement and (ii) the Pharmaceutical, Medical Device and Consumables Sales Framework Agreement. Beijing Phoenix, Yan Hua Hospital Group, and Yan Hua Phoenix entered into the Yan Hua IOT Agreement pursuant to which we manage Yan Hua Hospital Group. In addition, Beijing Wanrong and Beijing Jiayi, our wholly-owned indirect subsidiaries, and Yan Hua Hospital Group also entered into a Pharmaceutical, Medical Devices and Medical Consumables Sales Framework Agreement whereby Beijing Wanrong and Beijing Jiayi supply pharmaceuticals, medical devices and medical consumables to Yan Hua Hospital Group on a recurring basis. The Joint Sponsors have made a waiver application on behalf of the Company under Rule 14A.42(3) of the Listing Rules, and the Stock Exchange has granted a waiver from strict compliance with the requirements as may otherwise be required of the Company under Chapter 14A of the Listing Rules in connection with the Yan Hua IOT Agreement and the Pharmaceutical, Medical Device and Consumables Sales Framework. For more details, see "Connected Transactions — Non-exempt Continuing Connected Transactions with Yan Hua Hospital Group" beginning on page 197.

POTENTIAL COMPETITION WITH YAN HUA HOSPITAL GROUP

Our Controlling Shareholders controls Yan Hua Hospital Group. Yan Hua Hospital is a not-for-profit, Grade III hospital. We have decided not to include Yan Hua Hospital Group in our Group. Our Group may face potential competition from Yan Hua Hospital on various aspects. For more details, see "Relationship with Our Controlling Shareholders — Potential Competition" beginning on page 190.

RECENT DEVELOPMENTS

There has been no material change to our business model, revenue mix, industry, or regulatory environment since June 30, 2013 and up to the date of this prospectus.

Our net current liabilities were RMB56.9 million as of September 30, 2013 compared to RMB30.1 million as of June 30, 2013. For more details, see "Financial Information — Discussion of Certain Items from the Statement of Financial Position — Net Current Assets/Liabilities" beginning on page 266. We expect to record net current assets upon the repayment of the entire outstanding loan from Speed Key Limited with the proceeds from the Global Offering. For more details, see "Future Plans and Use of Proceeds" beginning on page 282.

The following also sets forth certain data of our unaudited consolidated statements of profit or loss and other comprehensive income in the nine months ended September 30, 2013:

- our revenue increased by 17.1% from RMB520.1 million in the nine months ended September 30, 2012 to RMB609.0 million in the nine months ended September 30, 2013, reflecting primarily increases in revenue generated by our supply chain and general hospital services businesses; and

- our gross profit increased by 5.8% from RMB125.0 million in the nine months ended September 30, 2012 to RMB132.2 million in the nine months ended September 30, 2013.

On July 3, 2013, we borrowed from Speed Key Limited, our Controlling Shareholder, in the amount of US$40.5 million (approximately RMB250 million) at an interest rate of 12.0% per annum, which will be repaid using a portion of the net proceeds from the Global Offering. For more details, see "History and Reorganization — The Reorganization — Exchangeable Notes Issued to Silvapower Investments, Vertex Fund and Green Talent" beginning on page 121. We have incurred interest expenses of RMB7.5 million in the three months ended September 30, 2013 on this loan, and will continue to incur interest expenses in the amount of approximately US$0.4 million (equivalent to RMB2.5 million) per month on this loan until it is repaid.

We continue to be affected by the trends and key factors that affected our results of operations in the six months ended June 30, 2013 including, in particular, our higher cost and expenses relating to employees. For more details, see "Financial Information — Recent Developments" beginning on page 280.

We have extracted these data from our unaudited consolidated statements of profit or loss and other comprehensive income, which were prepared on the same basis as our audited combined financial statements. These unaudited consolidated statements of profit or loss and other comprehensive income reflect all adjustments, consisting only of normal and recurring adjustments, which we consider necessary for a fair statement of our results of operations for the period presented. We cannot assure you that our financial results in the nine months ended September 30, 2013 will be indicative of our financial results in the full year ending December 31, 2013 or for future periods.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2013 and there is no event since June 30, 2013 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

"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
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company adopted on September 30, 2013 and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
"Audit Committee"	the audit committee of the Board
"Beijing Coal"	Beijing Coal Co., Ltd. (北京京煤集團有限責任公司), a limited liability company first established on January 1, 1948, and reorganized under the laws of the PRC in 2001, which owns 100% equity interest in Jing Mei Hospital Group, and an Independent Third Party
"Beijing Construction Engineering Group"	Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限責任公司), a limited liability company incorporated under the laws of the PRC on November 17, 1993, which owns 20% equity interest in Jian Gong Hospital, and an Independent Third Party
"Beijing Dayao"	Beijing Dayao Guanghua Investment Consulting Co., Ltd. (北京大堯光華投資顧問有限公司), a limited liability company incorporated under the laws of the PRC on January 9, 2000, and an Independent Third Party
"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 and a connected person to our Company
"Beijing Municipal Health Bureau"	a municipal government department governing the health work of Beijing (北京市衛生局)
"Beijing Nuopu"	Beijing Nuopu Investment Management Co., Ltd. (北京諾譜投資管理有限公司), a limited liability company incorporated under the laws of the PRC on January 6, 2013, and an Independent Third Party
"Beijing Phoenix"	Beijing Phoenix United Hospital Management Consulting Co., Ltd. (北京鳳凰聯合醫院管理諮詢有限公司), formerly known as Beijing Phoenix United Hospital Management Co., Ltd. (北京鳳凰聯合醫院管理有限公司) and Beijing Phoenix United Hospital Management Joint Stock Co., Ltd. (北京鳳凰聯合醫院管理股份有限公司), a limited liability company incorporated under the laws of the PRC on November 6, 2007, and a wholly-owned subsidiary of our Company
"Beijing Rongzhi"	Beijing Rongzhi Junhe Investment Center (北京融智君合投資中心), a limited liability partnership incorporated under the laws of the PRC on August 30, 2010, and an Independent Third Party
"Beijing Tianjian"	Beijing Tianjian Runyuan Investment Center (Limited Partnership) (北京天健潤遠投資中心(有限合伙)), a limited liability partnership incorporated under the laws of the PRC on November 4, 2010, and an Independent Third Party
"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
"Beijing Weike"	Beijing Weike Lai'en Art Design Co., Ltd. (北京維可萊恩藝術設計有限公司), a limited liability company incorporated under the laws of the PRC on December 30, 2006, and wholly owned by our Controlling Shareholder, Ms. Xu Xiaojie, and a connected person to our Company
"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 Company
"Beijing Zhongjin"	Beijing Zhongjin Venture Capital Investment Center (北京中金華創投資中心), a limited liability partnership incorporated under the laws of the PRC on November 26, 2009, and an Independent Third Party
"BFDA"	the Beijing Food and Drug Administration (北京食品藥品監督管理總局)
"Board" or "Board of Directors"	the board of Directors of our Company
"Business Day"	a day that is not a Saturday, Sunday or public holiday in Hong Kong, on which banks in Hong Kong are open generally for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant

"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CFDA"	the China Food and Drug Administration (國家食品藥品監督管理總局)
"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 prospectus only, references in this prospectus to "China" or the "PRC" do not include Taiwan, the Macau Special Administrative Region and Hong Kong
"Circular 7"	Notice on Relevant Issues Concerning the Administration of Foreign Exchange in respect of Domestic Individuals' Participating in the Share Incentive Schemes of Overseas-Listed Companies (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), issued by SAFE on February 15, 2012
"Circular 75"	the Notice on Issues Relating to Foreign Exchange Control on Fund Raisings and Round-trip Investment by Domestic Residents Through Offshore Special Purpose Vehicles (國家外滙管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), issued by SAFE on October 21, 2005
"CITIC Trust"	CITIC Trust Co., Ltd. (中信信託有限責任公司), a limited liability company incorporated under the laws of the PRC on March 5, 1988, an Independent Third Party
"Companies Ordinance" or "Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"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
"Dalian New Century Hospital"	Dalian New Century Hospital Co., Ltd. (大連新世紀醫院有限公司), a limited liability company incorporated under the laws of the PRC on April 23, 2003, and wholly owned by Ms. Xu Jie, our Controlling Shareholder
"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
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), which came into effect on January 1, 2008
"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. For more details, see "Summary — Our Customers and Suppliers — Supply Agreement with Hong Hui"
"Frost & Sullivan Report"	an industry report dated October 23, 2013 commissioned by us for a fee of RMB850,000, issued by Frost & Sullivan, a private independent research firm
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"GREEN application form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, designated by the Company
"Green Talent"	Green Talent Investments Limited, a limited liability company incorporated in the British Virgin Islands on March 26, 2012, our Shareholder and Noteholder

"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
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
"Hong Hui"	Hong Hui Pharmaceutical Co., Ltd. (紅惠醫藥有限公司), a limited liability company incorporated under the laws of the PRC on March 15, 1994, a supplier of our Group, and an Independent Third Party
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Offer Shares"	the 20,091,000 Shares being initially offered by our Company for subscription under the Hong Kong Public Offering at the Offer Price, subject to adjustment as described in "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and in the Application Forms relating thereto
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the several underwriters of the Hong Kong Public Offering listed in "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated November 15, 2013 relating to the Hong Kong Public Offering entered into, among other parties, our Company, the Controlling Shareholders, the Joint Sponsors and the Hong Kong Underwriters
"Hyde International Investment Limited"	a limited liability company incorporated in the BVI on January 16, 2012, our Shareholder
"IFRS"	International Financial Reporting Standards

"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not a director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company or any of our subsidiaries, or an associate (within the meaning of the Listing Rules) of any of such director, chief executive or substantial shareholder
"Independent Valuer"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, whose property valuation report is included in Appendix III to this prospectus
"in-network hospitals and clinics"	collectively, Jian Gong Hospital and our IOT hospitals and clinics
"International Offer Shares"	the 180,816,000 Shares being initially offered for subscription under the International Offering together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to adjustment as described in "Structure of the Global Offering — The International Offering" in this prospectus
"International Offering"	the conditional placing of the International Offer Shares (a) in the United States solely to QIBs pursuant to an exemption from the registration requirement under the U.S. Securities Act, and (b) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act, including to professional investors in Hong Kong, as further described in the section entitled "Structure of the Global Offering" in this prospectus
"International Purchase Agreement"	the purchase agreement relating to the International Offering, which is expected to be entered into among the Company, the Controlling Shareholders, the Joint Sponsors and the International Purchasers, among other parties, as further described in the paragraph headed "The International Offering" under the section headed "Structure of the Global Offering" in this prospectus
"International Purchasers"	the group of underwriters led by the Joint Global Coordinators, who are expected to enter into the International Purchase Agreement to procure purchasers for or, failing which, to purchase the International Offer Shares in the International Offering
"IOT"	the "invest-operate-transfer" model

"IOT hospitals and clinics"	third-party hospitals and clinics, which we manage and operate under the IOT model
"Jian Gong Hospital"	Beijing Jian Gong Hospital Co., Ltd. (北京市健宮醫院有限公司), a limited liability company 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
"Jilin Trust"	Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司), a limited liability company incorporated under the laws of the PRC in 1985, and an independent third party
"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
"Latest Practicable Date"	November 8, 2013, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus
"Liaoning Machinery"	Liaoning Machinery Import Export Co., Ltd. (遼寧省機械進出口公司), a limited liability company incorporated under the laws of the PRC on May 22, 1992, and an Independent Third Party
"Listing"	the listing of the Shares on the main board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or around November 29, 2013, on which dealings in the Shares first commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended

"M&A Provisions"	the Regulations of the Ministry of Commerce on Merger and Acquisition of Domestic Enterprises by Foreign Investors promulgated by the Ministry of Commerce of the PRC and effective on June 22, 2009
"Main Board"	the stock exchange operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market
"Memorandum of Association"	the memorandum of association of our Company adopted on September 30, 2013, as amended
"Mentougou Hospital"	Mentougou Hospital (北京市門頭溝區醫院), a not-for-profit hospital incorporated under the laws of the PRC in 1951 and wholly owned by the Mentougou District government, which we began managing in June 2010 pursuant to the Mentougou IOT Agreement
"Mentougou IOT Agreement"	collectively, the IOT agreement we entered into with the Mentougou District government on July 30, 2010, as amended
"Mentougou TCM Hospital IOT Agreement"	the IOT agreement we entered into with the Mentougou District government on June 6, 2012
"Mentougou Traditional Chinese Medicine Hospital"	Mentougou Traditional Chinese Medicine Hospital (北京市門頭溝區中醫院), a not-for-profit hospital incorporated under the laws of the PRC in 1956 and wholly owned by the Mentougou District government, which we began managing in June 2012 pursuant to the Mentougou TCM Hospital IOT Agreement
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOH"	the Ministry of Health of the PRC (中華人民共和國衛生部), one of the predecessor of the NHFPC
"MOHRSS"	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

"NHFPC"	the National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生和計劃生育委員會), which was reorganized from the former MOH & National Population and Family Planning Commission in March 2013
"Noteholders"	Green Talent, Silvapower Investments and Vertex Fund collectively, which were issued with exchangeable notes by Speed Key Limited
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會), the legislative apparatus of the PRC
"Offer Price"	the final offer price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Offer Shares are to be subscribed pursuant to the Hong Kong Public Offering
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares
"Over-allotment Option"	the option to be granted by our Company to the International Purchasers exercisable by the Joint Global Coordinators on behalf of the International Purchasers, pursuant to which our Company may be required to allot and issue up to 30,136,000 additional new Shares, representing approximately 15.0% of the Shares initially available under the Global Offering at the Offer Price, to, among other things, cover over-allocations in the International Offering (if any) as described in "Structure of the Global Offering — Over-allotment Option"
"PBOC"	People's Bank of China (中國人民銀行), the central bank of the PRC
"Phoenix International"	Phoenix Healthcare International Investment Limited (鳳凰醫療國際投資有限公司), a limited liability company incorporated in Hong Kong on August 28, 2012, and a wholly-owned subsidiary of our Company
"Pinyu Limited"	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

"PRC Healthcare Reform Plan"	the announced plan of the PRC government to systematically improve the PRC healthcare system, as reflected in various pronouncements and public documents, including the Opinions on Promoting Further Reform of the Healthcare System (中共中央國務院關於深化醫藥衛生體制改革的意見) jointly issued by the Central Committee of the Communist Party of China and the State Council on March 17, 2009, and the Notice on the Implementation Measure for the Reform of the Healthcare System (2009 to 2011) (醫藥衛生體制改革近期重點實施方案(2009-2011年)的通知) subsequently released by the State Council
"Price Determination Date"	the date, expected to be on or around November 21, 2013 but not later than November 27, 2013, on which the Offer Price is fixed for the purpose of the Global Offering
"PPP" or "public-private partnership"	partnership between government and one or more private sector companies to provide public goods or services, such as healthcare services, involving a long-term partnership agreement pursuant to which the private sector partner is responsible for managing, operating, maintaining, constructing and/or improving the relevant facilities while the public sector partner provides financial or other incentives
"QIBs"	qualified institutional buyers as defined in Rule 144A
"Redemption Price"	defined in "History and Reorganization — The Reorganization — Equity Investments by Silvapower Investments, Vertex Fund and Green Talent — Share redemption" in this prospectus
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"Reorganization"	the reorganization of the businesses comprising our Group in preparation for the Global Offering, as described in "History and Reorganization"
"RMB" or "Renminbi"	the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)

"SAIC"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	the State Administration of Taxation of the PRC (國家稅務總局)
"segment results"	the profit before tax earned by each segment, without allocation of finance cost relating to borrowing except for the general hospital services segment. We use this measure to assess our segment performance. For more details, see Note 7 to the Accountants' Report in Appendix I to this prospectus
"Senmart Investments"	Senmart Investments Limited, a limited liability company incorporated in the British Virgin Islands on January 11, 2013, our Shareholder and a connected person to our Company
"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
"Share Option Scheme"	the share option scheme conditionally adopted by our Company pursuant to a resolution passed by our Shareholders on September 30, 2013
"Share(s)"	share(s) with par value of HK$0.00025 each in the capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders Agreement"	the shareholders agreement entered into by and among Ms. Xu Xiaojie, Speed Key Limited, Hyde International Investment Limited, Senmart Investments, Exalt Great Limited, Green Talent and Silvapower Investments dated June 13, 2013, as amended by two amendments entered into by and among all of the above-mentioned parties and Vertex Fund dated June 13, 2013 and September 2, 2013, respectively
"Shenzhen Tiantu"	Shenzhen Tiantu Venture Capital Co., Ltd. (深圳市天圖創業投資有限公司), a limited liability company incorporated under the laws of the PRC on April 11, 2002, and an Independent Third Party

"Shenzhen Tiantu Investment"	Shenzhen Tiantu Investment Management Co., Ltd. (深圳市天圖投資管理有限公司), a limited liability company incorporated under the laws of the PRC on January 11, 2010, and an Independent Third Party
"Silvapower Investments"	Silvapower Investments Limited, a limited liability company incorporated in the British Virgin Islands on January 11, 2013, our Shareholder and a Noteholder and a connected person to our Company
"SOE"	state owned enterprise
"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
"State Council"	the PRC State Council (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement entered into on November 8, 2013 between Goldman Sachs International as borrower and Speed Key Limited as lender
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Subsidiary"	has the meaning ascribed thereto in the Companies Ordinance
"Tianjin Tiantu"	Tianjin Tiantu Xingsheng Private Equity Limited Partnership (天津天圖興盛股權投資基金合夥企業), a limited liability partnership incorporated under the laws of the PRC on March 25, 2010, and an Independent Third Party
"Tiantu Funds"	collectively, Shenzhen Tiantu, Tiantu Xingrui, Tianjin Tiantu and Shenzhen Tiantu Investment
"Tiantu Partners"	the manager of Tiantu Onshore Funds, an Independent Third Party
"Tiantu Xingrui"	Shenzhen Tiantu Xingrui Venture Capital Co., Ltd. (深圳市天圖興瑞創業投資有限公司), a limited liability company incorporated under the laws of the PRC on July 16, 2009, and an Independent Third Party

"Track Record Period"	the three years ended December 31, 2012 and the six months ended June 30, 2013
"U.S. dollar" or "US$"	United States dollar, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended
"Underwriters"	collectively, the Hong Kong Underwriters and the International Purchasers
"Underwriting Agreements"	collectively, the Hong Kong Underwriting Agreement and the International Purchase Agreement
"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
"Vertex Fund"	Vertex Asia Fund Pte. Ltd., formerly known as Huaan Chemical Pte. Ltd., a limited liability company incorporated in Singapore on April 20, 2011, our Shareholder and a Noteholder
"White Form eIPO Service"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Wuhan Hengjiantong"	Wuhan Hengjiantong Technology Co., Ltd. (武漢恒健通科技有限公司), a limited liability company incorporated under the laws of the PRC on January 30, 2008, and an Independent Third Party
"Yan Hua Hospital Group"	collectively, Yan Hua Hospital and 17 community clinics affiliated with Yan Hua Hospital
"Yan Hua Hospital"	Yan Hua Hospital (北京燕化醫院), a not-for-profit hospital established under the laws of the PRC in 1973 and wholly owned by Yan Hua Phoenix, which we started to manage and operate in February 2008 pursuant to the Yan Hua IOT Agreement and a connected person to our Company

"Yan Hua IOT Agreement"	collectively, the IOT agreement we entered into with Yan Hua Hospital Group and Yan Hua Phoenix on February 1, 2008, as amended
"Yan Hua Phoenix"	Beijing Yan Hua Phoenix Healthcare Asset Management Co., Ltd. (北京燕化鳳凰醫療資產管理有限公司), a limited liability company incorporated under the laws of the PRC on July 18, 2005, a wholly-owned subsidiary of Beijing Juxin Wantong and a connected person to our Company

In this prospectus, 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.

The glossary of technical terms contains explanations and definitions of certain terms used in this prospectus in connection with us and our business. The terms and their meaning may not correspond to meanings or usage of these terms as used by others.

"ALOS of a hospital"	the average length of stay of a hospital, equal to the aggregated hospitalization days of each inpatient visit at such hospital during a specified period divided by total inpatient visits during the corresponding period
"attending doctor"	the second professional rank for doctors (主治醫師) in China; an attending doctor may supervise resident doctors and typically undertake medical treatment, teaching, research and disease prevention work
"associate-chief doctor"	the third professional rank for doctors (副主任醫師) in China; an associate-chief doctor may supervise attending and resident doctors, direct research work of a specific field, and typically handle complex medial cases
"beds in operation"	the fixed sum of beds that are used for clinical service in a medical institution as of a specified date, including regular beds, fold-up beds, care beds, beds that are being sterilized and repaired, out-of-service beds due to expansion or overhaul
"cardiology"	a branch of medicine that deals with diseases and abnormalities of the heart
"cardiovascular disease"	the class of diseases that involves the heart or blood vessels (arteries and veins)
"cardiovascular"	relating to or affecting heart and blood vessels
"CCU"	the cardiac care unit
"chief doctor"	the highest professional rank for doctors (主任醫師) in China; a chief doctor is generally in charge of a specific clinical department
"CT"	computed tomography used for medical imaging
"dermatology"	a branch of medicine that deals with the skin, its structure, functions, and diseases

"EDL"	a list of essential medicines (國家基本藥物目錄) created by the NHFPC and adjusted periodically, which must meet basic healthcare needs, be in adequate supply, and be available to the public at all times, in appropriate dosage forms, and at prices the public can afford
"endocrinology"	a branch of medicine concerned with the structure, function, and disorders of the endocrine glands
"gastroenterology"	a branch of medicine which deals with disorders of the stomach and intestines
"Grade I Hospital"	the smaller local hospitals designated as Grade I hospitals by the NHFPC hospital classification system, typically having fewer than 100 beds and primarily providing more basic healthcare services limited to the surrounding community
"Grade II Hospital"	the regional hospitals designated as Grade II hospitals by the NHFPC hospital classification system, typically having 100 to 500 beds, providing multiple communities with integrated healthcare services and undertaking certain academic and scientific research missions
"Grade III Hospital"	the largest and best regional hospitals in China designated as Grade III hospitals by the NHFPC hospital classification system, typically having more than 500 beds, providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives
"gynecology"	a branch of medicine that deals with the diseases and routine physical care of the reproductive system of women
"healthcare service"	the service practice that provides inpatient or outpatient diagnosis, treatment and prevention of human disease, illness, injury or dysfunction through the medical procedures performed by professional practitioners in medicine, optometry, dentistry, nursing, pharmacy, and other fields
"hemodialysis"	the process of diffusing blood across a semipermeable membrane to remove substances that a normal kidney would eliminate, including poisons, pharmaceuticals, urea, uric acid and creatinine
"ICU"	the intensive care unit

"inpatient visit"	a patient visit during which the patient receives lodging and food as well as treatment
"ISO9001"	International Organization for Standardization related to quality management
"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
"Medical Insurance Designated Medical Institution"	medical institutions designated by the relevant local medical insurance authority as ones that are permitted to treat patients covered by public medical insurance programs
"MRI"	magnetic resonance imaging, a type of medical imaging technique to visualize detailed internal structure
"neurosurgery"	surgery performed on the nervous system, especially the brain and spinal cord
"occupancy rate of a hospital"	the aggregate number of occupied beds as of 12:00 noon of each day of a hospital divided by the aggregate number of beds in operation as of 12am each day of such hospital. For the purpose of calculating occupancy rate, occupied beds for a day also include (i) beds temporarily occupied and (ii) beds of patients discharged or died before 12am of such day
"obstetrics"	a branch of medicine that deals with the care of women during pregnancy, childbirth, and the recuperative period following delivery
"oncology"	a branch of medicine that deals with tumors, including study of their development, diagnosis, treatment, and prevention
"orthopedics"	medical specialty that focuses on injuries and diseases of the musculoskeletal system, which includes bones, joints, ligaments, tendons, muscles and nerves
"ostomy"	a surgical procedure creating an opening in the body for the discharge of bodily waste
"outpatient visit"	a patient visit during which the patient is not hospitalized overnight but visits a hospital, clinic, or associated facility for diagnosis or treatment

"patient visit"	collectively, inpatient visits and outpatient visits
"pediatrics"	a branch of medicine that deals with the medical care of infants, children, and adolescents
"primary healthcare clinics"	medical institutions for the local residents in the communities, including community health centers and stations in urban areas, village and township healthcare center in rural areas, and other clinics and infirmaries
"RDL"	a list of medicines (國家基本醫療保險、工傷保險和生育保險藥品目錄) created by the MOHRSS and adjusted periodically, which can be reimbursed by China's governmental employee insurance program
"resident doctor"	the entry professional rank for doctors (住院醫師) in China; a resident doctor must have a medical degree, and may undertake basic tasks such as patient's medical record preparation and practice medicine under the supervision of attending doctors or other superiors
"stomatology"	a branch of medicine and dentistry relating to the mouth, and mouth diseases
"thoracic surgery"	surgery performed on the heart, lungs, esophagus, and other organs in the chest
"urology"	a branch of medicine that focuses on the urinary tracts of males and females, and on the reproductive system of males

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include statements relating to:

- our business and prospects;
- our future debt levels and capital needs;
- future developments, trends and conditions in the industry and markets in which we operate;
- regulatory and policy changes;
- our strategies, plans, objectives and goals;
- general economic conditions in the PRC;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control or reduce costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements in the section entitled "Financial Information" in this prospectus with respect to operations, margins, overall market trends, risk management and exchange rates.

The words "anticipate," "believe," "could," "expect," "going forward," "intend," "may," "plan," "seek," "will," "would" and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including those discussed in "Risk Factors". If one or more of these risks or uncertainties materialize, or should underlying assumptions prove to be incorrect, our financial condition and results of operations may be materially and adversely affected and may vary significantly from those described herein as anticipated, believed or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation and do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Due to these risks uncertainties or assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that all of our business is located in China and we are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks. The trading price of our Shares could also decrease significantly due to any of these risks and you may lose all or part of your investment.

RISK FACTORS RELATED TO OUR BUSINESS AND INDUSTRY

Changes in China's regulatory regime for the healthcare service industry, particularly changes in public medical insurance programs or healthcare reform policies, could have a material adverse effect on our business.

In 2009, the PRC government unveiled its new healthcare reform plan, which aims to ensure that every citizen has access to affordable basic healthcare. Since then, the PRC government has issued new policies addressing the affordability, accessibility and quality of healthcare services, medical insurance coverage, as well as the reform of public hospitals, and has called for additional government spending on healthcare. This extensive reform of the PRC healthcare system is targeted to be completed by 2020.

Our business operations and future expansion are largely driven by government policies. However, these policies may change significantly in the future. Depending on the priorities determined by the PRC government, the political climate at any given time, the continued development of the Chinese healthcare system, future legislative changes may affect public hospital reform, limit private or foreign investments in healthcare services, change reimbursement rates for healthcare services provided to publicly insured patients, implement additional price controls on retail pharmaceutical prices, regulate the treatment fees permitted to be charged, and numerous other policy matters.

In particular, the agreements we have entered into with our IOT hospital partners provide for termination in the event of major government policy changes that cause the agreements to become inexecutable. Should these future reforms happen, such as the national or provincial authorities in China deciding to reduce the coverage or reimbursement levels for certain services or pharmaceuticals, patients may opt for cheaper forms of treatment or pharmaceuticals or forego treatment altogether, which may materially and adversely affect our business, financial condition and results of operation.

If we fail to successfully manage our in-network hospitals and clinics, our revenue and profitability may suffer.

Our failure to successfully manage our in-network hospitals and clinics may harm their financial and operating performance, which will in turn impact our revenue and profitability. In particular, all our revenue is derived from our in-network hospitals and clinics via three sources: (i) general hospital services provided at Jian Gong Hospital, (ii) hospital management services where we manage and collect management fees from our IOT hospitals and clinics, and (iii) supply chain business where we supply pharmaceuticals, medical devices and medical consumables to our in-network hospitals and clinics.

For certain of our in-network hospitals, our IOT agreements provide that if they incur losses during the tenure of our management, whether or not as a result of our management or due to factors beyond our control, we must use our management fees for that year or even our own funds to compensate the hospitals for the loss. In accordance with our IOT agreements, hospital owners may also unilaterally terminate our IOT agreements if we fail to reach certain goals or incur major losses during the tenure of our management or if a major government policy change makes it unlawful for them to perform their obligations under our IOT agreements. For more details, see "— If our IOT partners decide to terminate or not to renew our IOT agreements, our business may suffer".

Accordingly, if we fail to successfully manage our in-network hospitals and clinics, we may not be able to grow our business, receive management fees, generate revenue from our supply chain business, recover the investment made, and may be required to compensate any loss incurred by our IOT hospitals and clinics, and, as a result, our business, financial condition and results of operations could be materially and adversely affected.

We may be unable to identify and capture expansion opportunities for new hospitals, which may place us at a competitive disadvantage and limit our growth.

In addition to driving up our total patient visits, our growth during the Track Record Period depended on our ability to increase the number of our in-network hospitals and clinics, and we expect to continue to rely on our ability to invest, acquire and enter into IOT or other management agreements with additional hospitals for growth in the future. For more details, see "Business — Our Strategies — Strengthen Market Leadership by Continuing to Expand Our Network of Hospitals and Clinics".

Our ability to expand our hospital network will depend on a number of factors, including: (i) the PRC healthcare policy environment, (ii) the reputation of our existing healthcare facilities and doctors, (iii) our financial resources, and (iv) our ability to improve the financial and operational performance of hospitals under our management. We may not be able to identify suitable candidates for acquisition or expansion, or negotiate commercially acceptable terms. Even if we are able to identify suitable candidates, such acquisitions or expansions can be difficult, time consuming and costly and we may not be able to secure the necessary financing. In addition, acquiring public hospitals in China involves various legal requirements or regulatory approvals as well as additional costs. Businesses that we acquire may have unknown or contingent liabilities, including liabilities for failure to comply with healthcare laws, rules and regulations, and we may become liable for the past activities of the entities we acquire.

We also compete with future market entrants in expanding our hospital network. The rapid growth of the healthcare service industry in China may attract more domestic or international players to enter the healthcare service industry, and we will likely face competition from hospital operators in other cities as we expand our operations across China. Moreover, some of these competitors may be more established and have greater financial, personnel and other resources than us.

If we are not able to identify or capture opportunities to expand our hospital and healthcare operations successfully, our business, financial condition, results of operations and prospects could be materially and adversely affected.

If we are unable to recruit, train and retain an appropriate number of doctors, other medical professionals and staff, hospital administrators and managers for our in-network hospitals, our business may suffer.

The recruitment of doctors is highly competitive, especially for specialists, due to the limited pool of experienced medical professionals. We believe that the key factors that doctors consider before deciding where they will work include the reputation of the hospital, the quality of the facilities, the number of patient visits, research and teaching opportunities, compensation and location. Our in-network hospitals and clinics may not compare favorably with other healthcare service providers on one or more of these factors and may be forced to offer more compensation and benefits.

Our success is also dependent in part upon the ability of our in-network hospitals and clinics to recruit and retain other medical professionals, including nurses, physiotherapists, radiographers and pharmacists, and on their ability to train and manage these medical professionals. It has become increasingly costly to recruit and retain medical personnel in recent years, and we expect such costs to continue to increase in the future, which may adversely affect our profitability. For example, the staff cost of Jian Gong Hospital grew at a CAGR of 24.6% from RMB52.7 million in 2010 to RMB81.8 million in 2012. In addition, if we are unable to control the staff costs of our IOT hospitals and clinics, the financial performance of our IOT hospitals and clinics may be adversely affected, which may in turn affect the revenue and profitability of our hospital management services segment.

In addition, our performance and the execution of our growth strategy depend significantly on our ability to attract and retain quality hospital administrators and managers. We face competition for hospital administrators and managers from other public and private healthcare providers, and the availability of suitable and quality candidates in China is limited. Competition for these individuals may require us to offer higher compensation and other benefits to attract and retain them, which could reduce our profit.

In the event that we and our in-network hospitals fail to attract or retain a sufficient number of experienced doctors or other medical personnel, hospital administrators and managers as required, we may not be able to maintain the quality of our services and the number of patient visits at our hospitals may decrease significantly, which may materially and adversely affect our business, financial condition and results of operations.

The profitability of our supply chain business may be materially reduced if the supply agreement between Hong Hui and us is terminated or not renewed, or if Hong Hui fails to honor its obligations.

To further consolidate our procurement needs and to achieve better efficiency and greater economies of scale, we entered into a one-year supply agreement with Hong Hui for the supply of pharmaceuticals to Jian Gong Hospital, Yan Hua Hospital Group and Jing Mei Hospital Group on January 10, 2012. The agreement was renewed for one year on December 27, 2012 and October 22, 2013, respectively, with the terms of such agreement remaining substantially the same. Under the supply agreement, Hong Hui agrees to provide us with minimum annual economic benefit which is based on a percentage of the total pharmaceutical purchases made by Jian Gong Hospital, Yan Hua Hospital Group and Jing Mei Hospital Group except for the Excluded Pharmaceuticals. The newly signed supply agreement with Hong Hui on October 22, 2013 will expire on December 31, 2014 and may be renewed upon mutual consent prior to November 30, 2014. In 2012 and the six months ended June 30, 2013, purchases from Hong Hui accounted for 45.5% and 43.6%, respectively, of our total purchases. For more details, see "Business — Our Suppliers — Supply agreement with Hong Hui" and "Financial Information — Description of Components of Results of Operations — Gross Profit". We may terminate this agreement if Hong Hui fails to fulfill its obligations, including late or non-payment by Hong Hui, under the agreement. If this agreement is terminated or not renewed, or if Hong Hui fails to honor its obligations under this agreement, we and our IOT Hospitals would have to procure pharmaceutical products from other suppliers and the terms of such procurements may not be comparable to the existing ones we have with Hong Hui, and may result in materially reduced profitability of our supply chain business.

Our past performance is not necessarily indicative of future results.

Although our hospital network has grown rapidly and the financial performance and operating data of our in-network hospitals have improved significantly during the Track Record Period, such growth only reflects our past performance. Past performance is not necessarily indicative of future results. The effects of changing regulatory, economic, public health, environmental, competitive conditions and future expansion of our hospital network, and many other factors cannot be fully predicted and may have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be unable to effectively manage our rapid growth.

We have significantly expanded our business during the Track Record Period. Our in-network hospitals and clinics increased from two general hospitals and 17 community clinics, with 1,103 beds in operation, as of January 1, 2010 to 11 general hospitals, one traditional Chinese medicine hospital and 28 community clinics, with 3,213 beds in operation, as of June 30, 2013. Our organization may become larger and more complex through organic growth, acquisitions or partnering with additional hospitals in the future. We may fail to cooperate successfully with our new IOT hospital owners. We may also be unable to successfully integrate the operations or retain employees or management of a new hospital.

If we fail to successfully consolidate the procurement needs of additional hospitals into our supply chain business, we may be less able to realize savings from our bulk purchases to further control our cost and may not achieve the anticipated benefits of expansion. Our large scale and rapid growth have placed and will continue to place significant demands on our management and on our administrative, operational and financial personnel and infrastructure. If we are unable to manage our growth effectively, we may not be able to manage our in-network hospital and clinics profitably or efficiently, realize synergies from the integration of our hospital network, take advantage of market opportunities, execute our business strategies or respond to competitive pressures, which may materially and adversely affect our business, financial condition and results of operations.

We derive a significant portion of revenue from our supply chain business, and its profitability may decline if the PRC government imposes additional price controls on pharmaceuticals, medical devices and medical consumables.

The PRC government issues policies on pricing of pharmaceuticals, medical devices and medical consumables. Most pharmaceuticals, medical devices and medical consumables sold in China, primarily those included in the national Reimbursed Drug List ("RDL") and other catalogs promulgated by the governmental authorities, are subject to price controls mainly in the form of "retail price ceiling", being price ceilings on pharmaceuticals or medical devices and medical consumables sold to the patients, and in the form of "bidding price", being price ceilings on pharmaceuticals or medical devices and medical consumables sold to the hospitals. For more details, see "Business — Price Control and Pricing", "PRC Laws, Rules and Regulations — Laws and Regulations on Pharmaceutical Distribution — Regulations on Centralized Pharmaceutical Procurement by Medical Institutions" and "PRC Laws, Rules and Regulations — Regulation on the Supervision Over the Procurement of Medical Consumables". All of the pharmaceuticals and a majority of medical devices and medical consumables sold by us to our in-network hospitals and clinics are subject to price controls. For these pharmaceuticals, medical devices and medical consumables, our supply chain business resells them to our in-network hospitals at "bidding price".

Our supply chain business segment contributed 33.1%, 43.5%, 49.3% and 52.5% of our total segment revenue in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. We expect to continue to derive a significant portion of our revenue from our supply chain business. We cannot predict if the government will lower the "bidding prices" in the future or if additional pharmaceuticals and medical devices and medical consumables may become subject to price controls. If the "bidding prices" of pharmaceuticals, medical devices and medical consumables are further reduced, our supply chain business may have less room to negotiate with our suppliers for better gross margins, and we may generate less revenue due to reduced sale prices even if we sold the same or greater volume of the same pharmaceuticals. As a result, our financial condition and results of operations could be materially and adversely affected.

Our in-network hospitals and clinics face competition for patients in the markets where we operate.

The hospital and healthcare service industry is competitive. Generally, our in-network hospitals and clinics face competition from public hospitals, private hospitals and community health clinics located in the same geographic area as our in-network hospitals and clinics. For example, Jian Gong Hospital competes with Xuanwu Hospital of Capital Medical University (首都醫科大學宣武醫院) and Beijing Friendship Hospital (北京友誼醫院) located in the same area, both of which are Grade III hospitals. New or existing competitors may provide services similar to ours, and may offer greater convenience, broader services, newer or better facilities, more specialized medical staff, stronger reputation in the community, or cheaper pricing. If our in-network hospitals and clinics are unable to attract patients, our patient volume levels could decrease significantly and our business, financial condition and results of operations may be materially and adversely affected.

We may not obtain adequate or timely financing for existing and future investments in our in-network hospitals and clinics, and our improvement projects may not be completed within the expected time frame and within our budget, or at all, and may not achieve the intended economic results.

Pursuant to the relevant IOT agreements and in order to improve the facilities and clinical services of the relevant hospitals, we generally make significant investments in each of our in-network hospitals. As a result, the availability of adequate financing for investments is crucial to our expansion and development. Our current operations are generally financed through operating cash flow and a combination of bank loans and equity financing. A number of factors such as general economic conditions, our financial position and performance, credit availability from financial institutions and China's monetary policies may affect our ability to obtain adequate financing on favorable terms and to achieve a reasonable return on our investments. Any failure by us to raise sufficient funds on terms acceptable to us, or at all, could limit our ability to grow our business and competitive position. In particular, for the construction or renovation of hospital facilities from time to time, even if we secure the necessary financing, such projects could result in cost overruns, may not be completed on time or at all and may not achieve the expected economic gains. If this happens, it could impact our liquidity and limit our ability to obtain additional financing for working capital, capital expenditures, and other general corporate purposes. In addition, for each IOT agreement we enter into, we normally make an upfront capital investment, and then receive management fees and generate supply chain business revenue from the relevant IOT hospitals and clinics over the tenure of the IOT agreements. Our upfront capital investment will be repaid to us for some IOT hospitals over the tenure of the relevant IOT agreements. Such structure may adversely affect our working capital and liquidity.

We and our in-network hospitals and clinics may not be adequately insured against losses and liabilities arising from our operations.

We are exposed to potential liabilities that are inherent to the provision of healthcare services. Most of our in-network hospitals and clinics maintains medical liability insurance to cover its hospital operations and makes its own independent judgment as to the type and coverage of insurance purchased. We do not maintain product liability insurance for our supply chain business, which we believe is consistent with industry practice in China. During the Track Record Period, the aggregate number of medical disputes settled by our in-network hospitals and clinics as a percentage of the aggregate patient visits were less than 0.01% and the aggregate settlement amount as a percentage of the aggregate revenue was less than 0.2%, approximately less than half of which was covered by the insurance carried by our in-network hospitals and clinics. In particular, during the Track Record Period, the aggregate number of medical disputes settled by Jian Gong Hospital as a percentage of Jian Gong's aggregate patient visits was less than 0.01% and the aggregate settlement amount as a percentage of the aggregate revenue generated by Jian Gong Hospital was 0.2%, approximately less than half of which was covered by the insurance carried by Jian Gong Hospital. We may face liabilities that exceed our available insurance coverage or arise from claims outside the scope of our insurance coverage. In addition, if we experience any business disruption, litigation or natural disaster, we may incur significant cost and diversion of resources, which may not be fully covered by insurance or at all. Any significant uninsured loss could have material and adverse effect on our business, financial condition and results of operations.

If our IOT partners decide to terminate or not to renew our IOT agreements, our business may suffer.

Our IOT agreements set forth certain events that may trigger unilateral termination by IOT hospital owners. In accordance with our IOT agreements, hospital owners may unilaterally terminate our IOT agreements if we fail to reach certain goals or incur major losses during the tenure of our management or if a government policy change makes it unlawful for them to perform their obligations under the IOT agreements. For example, the force majeure clause under the Jing Mei IOT Agreement explicitly includes change in policy prohibiting private entities' involvement or the IOT model in the reform of public hospitals. If such policy change takes place, we may lose our rights to manage our IOT hospitals and will no longer be entitled to receive management fees from, and sell pharmaceuticals, medical devices and medical consumables to, our IOT hospitals. In addition, if we fail to maintain a good relationship with the IOT hospital owners, they may choose not to renew the IOT agreements with us after the current agreements expire.

Moreover, the IOT hospitals and the government or SOEs that ultimately control them may have business or economic interests that are different from us, may dispute our IOT agreements, or may take action inconsistent with our interests, objectives or instructions. We cannot guarantee that no IOT hospital owner would intentionally terminate or attempt to terminate our IOT agreement in breach of contract. If any such termination events were to occur, they may materially and adversely affect our business, financial condition and results of operations.

We are exposed to concentration of credit risk from our top customers.

We collect management fees and derive revenue from sale of pharmaceuticals, medical devices and medical consumables to our IOT hospitals. In 2012 and the six months ended June 30, 2013, our top four customers were our IOT hospitals and clinics: Yan Hua Hospital Group, Jing Mei Hospital Group, Mentougou Hospital and Mentougou Traditional Chinese Medicine Hospital. During the Track Record Period, trade receivables from our largest customer in 2010, our largest three customers in 2011, and our largest four customers in 2012 and six months ended June 30, 2013 represented 66.7%, 79.6%, 80.7% and 70.0% of our trade-nature receivables (including trade receivables and trade-nature receivables from a related party), respectively, out of which 66.7%, 75.9%, 40.6% and 24.6% were due from our largest customer in the corresponding periods. For more details, see "Business — Our Customers" and "Financial Information — Discussion of Certain Items from the Statement of Financial Position — Trade-nature Receivables". Although we assess the credit qualities of our customers, taking into account their financial positions, past experiences and other factors, we cannot assure you that no default will arise from our customers in the future. If our largest or any of our top customers fails to fulfill its obligations, our financial condition and results of operations could be materially and adversely affected.

Failure to comply with China's anti-corruption laws could subject us to investigations, sanctions or fines, which may harm our reputation and materially and adversely affect our business, financial condition, results of operations and prospects.

We have adopted policies and procedures designed to ensure that we and the doctors, staff and hospital administrators at our in-network hospitals and clinics comply with China's anti-corruption laws. For more details on our anti-corruption policies and procedures, see "Business — Legal Proceedings and Compliance". However, we operate in the healthcare sector in China which poses elevated risks of anti-corruption violations and the PRC government has recently increased its anti-bribery efforts to reduce improper payments received by doctors, staff and hospital administrators in connection with pharmaceutical purchases and healthcare services provision. Although we have established anti-corruption policies and procedures and have not been subject to any government investigation relating to anti-corruption violations, there is no assurance that these policies and procedures will effectively prevent any and all non-compliance with China's anti-corruption laws for actions taken by the individual doctors, staff and hospital administrators at our in-network hospitals and clinics without our knowledge. If this occurs, we may be subject to investigations, sanctions or fines, and our reputation could be significantly harmed by any negative publicity stemming from such incidents, which may materially and adversely affect our business, financial condition, results of operations and prospects.

We and our in-network hospitals and clinics have been and could become the subject of litigation, claims and governmental investigations, including medical dispute brought by patients, which may harm our reputation and our business.

We rely on the doctors and other medical professionals of our in-network hospitals and clinics to make proper clinical decisions regarding the diagnosis and treatment of their patients. In addition, Jian Gong Hospital contracts with certain third-party service provider who runs caregiver business for our patients. For more details, see "Business — Our Hospital Network — Jian Gong Hospital". However, we do not have direct control over the clinical activities of each hospital and clinic or over the doctors, other medical professionals and third-party contractors who work in our in-network hospitals and clinics. Any incorrect clinical decisions on the part of doctors and other medical professionals, or any failure by our in-network hospitals to properly manage their clinical activities may result in unsatisfactory treatment outcomes, patient injury or possibly patient death. We are especially exposed to these types of risks from the treatment of complex medical conditions at our hospitals, such as cancer and heart and vascular diseases, which do not have guaranteed positive outcomes. We and our in-network hospitals and clinics may not be adequately insured against losses and liabilities arising from our operations. Although medical disputes in China are typically brought against the patient's doctor and the hospital at which treatment was given, we or our in-network hospitals and clinics may be made a party to any such medical dispute which, regardless of its merit or eventual outcome, could result in significant legal costs and reputational damage to us and materially and adversely affect our business, financial condition and results of operations.

We are subject to PRC laws, rules and regulations relating to healthcare fraud and risks in relation to actions taken by us, our employees or our affiliates that constitute violations of the PRC anti-corruption and other related laws. Our failure to comply with these laws, or effectively manage our employees and affiliates in this regard, could severely damage our reputation and materially and adversely affect our business, financial condition, results of operations and prospects.

We have not obtained title and have not registered lease agreements with respect to some of the properties we use to operate our business.

In China, prior to construction of a building, we are required to obtain various permits, certificates and other approvals, including land use right certificate (國有土地使用權證), planning permit for construction work (建設工程規劃許可證) and permit for commencement of construction works (建設工程施工許可證) in relation to properties. After completion of a building, the local government authorities would conduct an inspection and issue a certified report on the completed construction of properties and municipal infrastructure (房屋建築工程和市政基礎設施工程竣工驗收備案證明), or completion certificates, if the construction process and property comply with the relevant laws, rules and regulations.

We have not obtained ownership certificates for certain buildings at Jian Gong Hospital due to the lack of certain construction-related permits and certificates. These buildings are currently in use and have an aggregate gross floor area of 8,716 square meters, or 28.9% of the total gross floor area of Jian Gong Hospital. Such areas include primarily the outpatient registration area, a library, a morgue, a medical imaging and diagnostic room, and rooms for other ancillary functions. For more details, see "Business — Our Properties".

We may not be able to correct such defects or take other remedial actions in time. As advised by our PRC legal adviser, relevant government authorities could (i) subject us to a fine up to 10% of the construction cost, and/or (ii) force us to demolish the building within a reasonable period specified by the relevant government agency, which could interrupt the business operations of Jian Gong Hospital. We estimate the maximum potential liabilities arising from the fine and demolition to be approximately RMB3.0 million, and that the total cost of relocation, including the search for alternative premises, renovation and a 12-month rental, is approximately RMB22.0 million. We estimate any demolishment and relocation relating to Jian Gong Hospital may take approximately three months. We do not expect our business and financial position to be materially affected by such demolishment and relocation and estimate that these will be no material loss of revenue because the properties with title defects, individually or collectively, are not crucial to our operations.

In addition, we leased and occupied a total of eight properties in Beijing with a total gross floor area of 1,245 square meters for office and business use as of the Latest Practicable Date. All eight property lease agreements have not been registered with the relevant PRC government authorities. As advised by our PRC legal adviser, failure to register an executed lease agreement will not invalidate the agreement. However, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify such non-compliance and we fail to do so within the specified period of time.

Our business is subject to seasonality.

We experience seasonal fluctuations in our revenue and profitability. Our in-network hospitals and clinics typically experience fewer patient visits in the first quarter due to the effect of the Chinese New Year holiday, during which most Chinese usually avoid paying visits to hospitals. Our in-network hospitals and clinics generally experience more patient visits in the fourth quarter because the elderly or people with weaker dispositions are more susceptible to disease in cold weather. In addition, the management fees we are entitled to under the Yan Hua IOT Agreement and the Jing Mei IOT Agreement are determined based on, among others, a higher management fee rate once such hospitals' performance exceeds certain thresholds for the year. Consequently, we may be entitled to less management fees under the Yan Hua IOT Agreement and the Jing Mei IOT Agreement in the first half of a year than in the second half of such year as a result of staggered management fee formulas. For more details on the terms of our IOT agreements, see "Business — Our Hospital Network". Any such fluctuations could have a material adverse effect on our financial condition and results of operations.

We had net current liabilities as at September 30, 2013 and June 30, 2013 and these positions may continue after Listing.

As of June 30, 2013 and September 30, 2013, we had net current liabilities of RMB30.1 million and RMB56.9 million, respectively, primarily due to a borrowing of US$40.5 million (approximately RMB250 million) from Speed Key Limited, our Controlling Shareholder, as part of the Reorganization, which is expected to be repaid using part of the net proceeds from the Global Offering. For more details, see "Future Plans and Use of Proceeds". Our net current liabilities position exposes us to liquidity risk. Our future liquidity, the payment of trade and other payables, our capital expenditure plans and the repayment of our outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing. We may have net current liabilities in the future, which may limit our working capital for the purpose of operations or capital for our expansion plans and materially and adversely affect our business, financial condition, and results of operations.

We conduct our business in a heavily regulated industry and incur ongoing compliance costs as well as face penalties for non-compliance.

The operations of our in-network hospitals and clinics are subject to various laws and regulations at the national, regional and local levels. These rules and regulations relate mainly to the quality and pricing of medical facilities, equipment and services, the pricing and procurement of pharmaceuticals, medical devices and medical consumables, the licensing and operation of medical institutions and the licensing and number of medical professionals, the noise pollution, discharge of pollutants into air and water and handling and disposal of bio-medical, radioactive and other hazardous waste, anti-corruption and anti-bribery, and the confidentiality, maintenance and security of patients' medical records. For more details, see "PRC Laws, Rules and Regulations". Accordingly, our general hospital service and supply chain business is subject to periodic licensing renewal requirements and inspections by various government agencies and departments at the provincial and municipal level. For example, two of our IOT hospitals, Mentougou Hospital and Mentougou Traditional Chinese Medicine Hospital, need to renew their Medical Institution Practicing Licenses, which will expire on December 31, 2013. If we fail to renew the Medical Institution Practicing Licenses for Mentougou Hospital and Mentougou Traditional Chinese Medicine Hospital or any other licenses required for our operations, or are found to be non-compliant with any of these laws, regulations or rules, we may face penalties, suspension of operations or even revocation of operating licenses, depending on the nature of the findings, any of which could materially and adversely affect our business, financial condition and results of operations.

We are dependent on certain key members of our senior management.

We are dependent on certain key members of our senior management team, including some who have been with our Group since its inception, to manage our current operations and meet future business challenges. In particular, we rely on the expertise, experience and leadership of Mr. Liang Hongze, our CEO, Mr. Jiang Tianfan, our CFO, Mr. Xu Zechang, our executive director and vice general manager in charge of overall hospital operations and hospital network development, Mr. Zhang Xiaodan, our vice executive general manager in charge of our pharmaceutical supply chain business and project investment, Mr. Cheng Libin, our executive general manager and Mr. Shan Baojie, our vice general manager. We do not maintain key personnel insurance. The loss of any key members of our senior management team could materially disrupt our operations and delay the implementation of our business strategy. In addition, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new personnel, which could severely limit our business and growth. We have entered into employment agreements, confidentiality and non-compete agreements with all of the key members of our management team. We cannot assure you, however the extent to which any of these agreements will be enforceable under the applicable laws. For more details, see "— Risk Factors Related to Doing Business in China — Uncertainties with respect to the PRC legal system could have a material adverse effect on us".

Concentration of our hospital operations in Beijing exposes us to its changing regulatory, economic, public health, environmental and competitive conditions.

Most of our current operations, including our headquarters, in-network hospitals and clinics, are mainly located in Beijing, and we expect to further expand our hospital network in Beijing. As a result, we are highly sensitive to the regulatory, economic, public health, environmental and competitive conditions in Beijing. In particular, hospitals in Beijing have been adversely impacted by past outbreaks of epidemics, such as Severe Acute Respiratory Syndrome, or SARS in 2003, the H1N1 virus, or swine flu, in 2009, and the H7N9 virus in the first half of 2013, as people chose to avoid crowds and hospitals in order to minimize the risk of contagion. Any future epidemic outbreaks could significantly disrupt our operations. Furthermore, natural disaster or other catastrophic events that are likely to happen in Beijing, such as earthquakes, fire, drought, typhoons, flood, outage of critical utilities, disruption to transportation systems or terrorist attacks, may damage or limit our ability to operate our hospitals and healthcare centers and require significant repair. The property insurance we obtain may not be sufficient to cover all our losses. Any negative event in Beijing may have a material adverse effect on our business, financial condition and results of operations.

We may be unable to successfully replicate our business model outside of Beijing.

Our current in-network hospitals and clinics are all located in Beijing. In order to expand our hospital network, we may enter into new geographic markets in the future, and face new market, technological, regulatory and operational risks and challenges with which we are unfamiliar. Accordingly, we may not be able to achieve our expansion goals and successfully replicate our business model outside of Beijing.

The proper functioning of our computer network infrastructure and centralized information technology systems is essential to our business operation, and any technological failure, security breach or other challenges may significantly disrupt our business.

Our computer network infrastructure and information technology systems help us to operate and monitor the operational performance of our in-network hospitals and clinics, such as billing, financial and budgeting data, patient records and inventory. We regularly maintain, upgrade and enhance the capabilities of our information systems to meet operational needs. Any technical failures associated with our information technology systems, including those caused by power loss, natural disasters, computer viruses or hackers, network failures or other unauthorized tampering, may cause interruptions in our ability to provide services to our patients, keep accurate records and maintain proper business operations. In particular, if the information technology system relating to our billing and public medical insurance reimbursements were to malfunction and lose related records, we might not receive full payment from the government, causing a material adverse impact to our business and operations. In addition, we may be subject to liability as a result of any theft or misuse of personal information stored on our systems due to willful misconduct or gross negligence.

We derive a significant portion of our revenue through the provision of healthcare services to individual patients with public medical insurance coverage; any non-payment or delayed payment from China's public medical insurers could materially decrease our revenue.

According to the Frost & Sullivan Report, by the end of 2012, the two urban insurance programs covered over 95% of the total registered urban population, and the rural insurance program covered approximately 98% of the total registered rural population. Under these medical insurance programs, patients are required to pay hospitals only a portion of their medical expenses upfront and hospitals will seek payment of the balance from the government. The government only reimburses medical expenses for certain approved services and pharmaceuticals, and reimbursement levels for covered medical expenses vary widely depending on the region, hospital grade and location, illness and treatment. We expect to continue generating significant revenue from patients covered by China's public medical insurance programs. Although we have not yet encountered delayed reimbursement payment from public medical insurance programs, any dispute or late or delinquent reimbursement payment may cause our accounts receivables to increase and result in write-offs. Healthcare insurers may also change their reimbursement policies and coverage plans in the future such that the services we can provide are no longer covered. Should this happen, our revenue from these sources may decline significantly.

The existence of counterfeit pharmaceutical products in China may damage our reputation and subject us to legal liability.

Counterfeit pharmaceutical products manufactured without proper licenses or approvals or fraudulently mislabeled with respect to their content or manufacturer, or both, have appeared in China's pharmaceutical market. In some cases these products are very similar in appearance to the authentic products. Although we conduct quality control checks upon delivery, we may not be able to identify all counterfeit pharmaceutical products. Any unintentional sale of these products by us may subject the pharmaceutical manufacturer, the primary liable party, and us to negative publicity, reputational damage, administrative sanctions or civil claims.

We may be subject to China's Anti-Monopoly Law and regulations as we expand our hospital network through merger, acquisition or other contractual arrangements.

We may in the future expand our hospital network through merger and acquisitions of, or contractual arrangements, such as IOT agreements, with, other hospitals or companies ("Target Entities"). Such expansion may be considered as a form of Concentration of Business Operators (經營者集中) under China's Anti-Monopoly Law (中華人民共和國反壟斷法) if the combined revenues of our Group and the Target Entities reach certain thresholds, in which case the proposed expansion would be subject to review and pre-approval by relevant PRC government authorities. Such pre-approval requirements are applicable where (i) the total amount of the global revenue realized by us and the Target Entities exceed RMB10 billion during the preceding accounting year with at least two businesses in the relevant concentration each achieving more than RMB400 million in revenue within China during the preceding accounting year; or (ii) the total amount of the revenue within China realized by us and the Target Entities exceed RMB2 billion during the preceding accounting year with at least two businesses in the relevant concentration each achieving more than RMB400 million in revenue within China during the preceding accounting year. The Anti-Monopoly Law review process may be time-consuming and whether the pre-approval can be obtained is subject to uncertainty. For more details, see "— Risk Factors Related to Doing Business in China — Uncertainties with respect to the PRC legal system could have a material adverse effect on us". Any material delay during the review and pre-approval process or any failure to obtain the requisite approval could delay our expansion plans and result in a material adverse effect on our business and prospects. Moreover, our failure to initiate the pre-approval process for those projects that meet any of the abovementioned thresholds may subject us to a penalty of no more than RMB500,000 or to a government mandate to discontinue or reverse such expansion.

We face new risks as we expand our business to other segments of the healthcare value chain and provision of new services in our in-network hospitals and clinics.

As part of our business strategy to continue expanding our business into other key segments of the healthcare value chain, we plan to provide additional services to our in-network hospitals and clinics. Specifically, we intend to enter into the following businesses: (i) specialized medical functions among our in-network hospitals and clinics, such as a diagnostic center, medical testing centers and laboratories; and (ii) laundry, sanitation services and convenience stores on the premises of our in-network hospitals and clinics. Once we have centralized these operations among our hospitals at the Group level, we also plan to service other hospitals that want to outsource such ancillary operations to us. However, we have no experience in running these businesses and such strategy may not be successfully executed and is subject to numerous factors including the following:

- the availability of adequate management and financial resources;
- our ability to hire, train and retain skilled personnel to manage these new ancillary services; and
- the adaptation of our operational and management systems to an expanded service network.

The execution of our integration strategy may be expensive, time consuming and may strain our financial and managerial resources. Consequently, we may not achieve the anticipated benefits and our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS RELATED TO DOING BUSINESS IN CHINA

We are subject to political, economic and social developments as well as the laws, rules, regulations and licensing requirements in China.

Since our operating assets are generally located in, and our revenue is predominantly derived from our operations in China, our business, financial condition, results of operations and prospects are subject to the risks of future economic, political and legal developments in China. The PRC economy differs from the economies of other developed countries in terms of structure, government intervention, development, growth rate, control of foreign exchange, and resource allocation. Since the late 1970s, the PRC government has been implementing economic reform measures and using market forces to develop the PRC economy and has since transitioned from a planned economy to a more market-oriented economy. However, the PRC government continues to play a significant role in regulating industries by promulgating economic policies, and a significant portion of productive assets in China is still government-owned. The PRC government also exercises significant control over the economy through the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

Our business and operations are conducted in China and governed by the PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes where, unlike common law systems, decided legal cases have limited value as precedent. Since 1979, the PRC government has been promulgating a comprehensive system of laws and regulations governing economic matters in general. However, China has not developed a fully integrated legal system and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activity in China. These laws, rules and regulations are relatively new and are often changing, and published cases concerning these laws, rules and regulations are limited. Consequently, their interpretation and enforcement involve a fair amount of uncertainties compared to other jurisdictions. In addition, the PRC legal system is based in part on government policies and administrative rules that may have retroactive effect. As a result, we may not be aware of any violations by us until some time after the violation. Furthermore, the legal protections available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in significant costs to us and a diversion of our resources and management attention. We cannot predict future developments in the PRC legal system or the effects of such developments.

It may be difficult to effect service of process upon us or our Directors or senior management who reside in China or to enforce non-PRC court judgments against them in China.

Substantially all of our assets are situated in China and most of our Directors and officers reside and substantially all of their respective assets are located in China. As a result, it may be difficult to effect service of process outside the PRC upon most of our Directors and officers, including with respect to matters arising under applicable securities laws. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom and most other countries. Consequently, it may be difficult for you to enforce against us or our Directors or officers in China any judgments obtained from non-PRC courts.

Restrictions on foreign exchange and fluctuations in Renminbi exchange rates may limit the ability of our operating subsidiaries to remit payments to us and may expose us to exchange rate volatility.

Substantially all of our revenue is denominated in Renminbi, which is not readily convertible into other currencies. Under the existing foreign exchange regulations in China, we may undertake current account foreign exchange transactions without prior approval from SAFE by complying with certain procedural requirements. The PRC government may, however, decide to restrict access to foreign currencies for current account transactions in the future.

Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends, or otherwise satisfy any foreign currency dominated obligations we may incur. In addition, since our future cash flow from operations will continue to be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to receive dividends and distributions from our subsidiaries in China, purchase goods and services outside of China or otherwise fund any future business activities that may be conducted in foreign currencies.

Any change in foreign exchange regulations may severely restrict our ability to pay dividends or satisfying other foreign exchange requirements. The convertibility of the Renminbi into other currencies is subject to changes in the PRC policies and international economic and political developments. In 2005, the PRC government changed its policy of pegging the value of the RMB to the U.S. dollar. Under the current policy, the RMB is pegged against a basket of currencies, determined by the PBOC, against which it can rise or fall within stipulated ranges from 1% to 5% against different currencies each day. This change in policy has resulted in an appreciation of the value of the Renminbi against the U.S. dollar of approximately 30% from July 2005 to June 2013. We cannot predict whether the PRC government may change its policies that have effect on the exchange rate of the Renminbi, as well as when and how Renminbi exchange rates may change going forward.

Fluctuations in exchange rates may adversely affect the value, translated or converted into U.S. dollars or Hong Kong dollars (which are pegged to the U.S. dollar), of our net assets, earnings or any declared dividends. Also, there are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. To date, we have not entered into any agreements to hedge our exchange rate exposure. In any event, to the extent such hedges are available, their effectiveness may be limited and we may be unable to hedge our exposure successfully, or at all.

We rely on dividends paid by our subsidiaries for our cash needs, and limitations under the PRC laws on the ability of our PRC subsidiaries to distribute dividends to us could adversely affect our ability to utilize such funds.

As a holding company, we conduct substantially all of our business through our consolidated subsidiaries incorporated in China. We rely on dividends paid by these PRC subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our Shareholders, to service any foreign currency debt we may incur and to make any offshore acquisitions. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to us in the form of dividends, loans or advances. We anticipate that in the foreseeable future our PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. These limitations on the ability of our PRC subsidiaries to transfer funds to us limit our ability to receive and utilize such funds.

We may be treated as a PRC tax resident enterprise under the EIT Law, which may subject us to PRC income taxes on our worldwide income.

We are a holding company incorporated under the laws of the Cayman Islands. Under the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), which came into effect January 1, 2008 (the "EIT Law"), and its implementation rules, enterprises organized under the laws of jurisdictions outside the PRC with their "de facto management bodies" located within the PRC may be considered "PRC tax resident enterprises" and subject to a uniform 25% PRC income tax on their worldwide income. The implementation rules to the EIT Law define the term "de facto management body" as "body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise. The SAT issued the Notice on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in accordance with Criteria for Determining Place of Effective Management (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) and the Administrative Measures on the Corporate Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (境外註冊中資控股居民企業所得稅管理辦法(試行)) in April 2009 and July 2011, respectively, which set out certain criteria for specifying what constitutes a "de facto management body" in respect of enterprises that are established offshore by PRC enterprises. However, no such criteria are provided in these or other publications by the SAT in respect of enterprises established offshore by private individuals or foreign enterprises like us.

As a result, it is unclear whether we will be deemed to be a "PRC tax resident enterprise" for the purpose of the EIT Law even though substantially all of the operational management of our Company is currently based in the PRC. We are currently not treated as a PRC resident enterprise by the relevant tax authorities. Nonetheless, we cannot assure you that we will not be treated as a PRC resident enterprise under the EIT Law and not be subject to the enterprise income tax rate of 25% on our global income in the future. If we were treated as "PRC tax resident enterprise", we would be subject to PRC income taxes on our worldwide income, which may adversely affect our profitability and distributable profit to our Shareholders.

Gains on the sales of shares and dividends on the shares may be subject to PRC income taxes.

Under the EIT Law and its implementation rules, PRC withholding tax at the rate of 10% is applicable to dividends payable by "PRC tax resident enterprises" to investors that are "non-PRC residents", that is, investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their source within the PRC. Similarly, any gain realized on the transfer of shares of "PRC tax resident enterprises" by such investors is also subject to PRC income tax, usually at rate of 10% unless otherwise reduced or exempted by relevant tax treaties or similar arrangements, if such gain is regarded as income derived from sources within the PRC.

We are a holding company incorporated in the Cayman Islands and substantially all of our operations are in China. There is uncertainty whether we will be considered a "PRC tax resident enterprise" for the purpose of the EIT Law. As a result, it is unclear whether dividends paid on our Shares, or any gain realized from the transfer of our Shares, would be treated as income derived from sources within China and would as a result be subject to PRC income tax. If we are considered a "PRC tax resident enterprise", then any dividends paid to our Shareholders that are "non-PRC residents" and any gains realized by them from the transfer of our Shares may be regarded as income derived from PRC sources and, as a result, would be subject to a 10% PRC income tax, unless otherwise reduced or exempted. It is unclear whether, if we are considered a "PRC tax resident enterprise", our Shareholders would be able to claim the benefit of income tax treaties or agreements entered into between PRC and other countries or regions. If dividends payable to our non-PRC Shareholders that are "non-PRC residents", or gains from the transfer of our Shares are subject to PRC tax, the value of such non-PRC Shareholders' investment in our Shares may be materially and adversely affected.

Our dividend income from our foreign invested PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate.

Under the EIT Law and its implementation rules, PRC withholding tax at the rate of 10% is applicable to dividends paid by PRC enterprises to their foreign shareholders who are not "PRC tax resident enterprises", unless the jurisdiction of such foreign shareholder has a tax treaty or similar arrangement with the PRC that provides for a different withholding arrangement and the foreign shareholder obtains approval from competent local PRC tax authorities for application of such tax treaty or similar arrangement. According to the Arrangement on Avoidance of Double Taxation and Tax Evasion between the Mainland and Hong Kong (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排), if a Hong Kong incorporated entity is the direct "beneficial owner" of 25% or more in a PRC entity, a lower rate of 5% will be applied to the dividend made by the PRC entity to such Hong Kong entity. The determination of beneficial ownership is clarified under the Notice on Understanding and Determining Beneficial Owners (國家稅務總局關於如何理解和認定稅收協定中「受益所有人」的通知), which expressly excludes from the definition of a beneficial owner a "conduit company", or any company established for the purposes of avoiding or reducing tax obligations or transferring or accumulating profits and not engaged in actual operations such as manufacturing, sales or management. We invest in our PRC subsidiaries through Star Target Investment Ltd. and Phoenix Healthcare International Investment Limited, our subsidiary incorporated in Hong Kong. We intend to pay 5% withholding tax on the distributable profits of Beijing Phoenix, the direct PRC subsidiary of Star Target and Phoenix International. It is uncertain whether our Hong Kong subsidiaries will be considered a "beneficial owner" and there is no assurance that the tax authority will not impose a higher withholding tax rate of 10% on our dividend income from Beijing Phoenix. If the dividends from Beijing Phoenix are subject to the higher withholding tax under the EIT Law, our financial condition and results of operations could be adversely affected.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident Shareholders to personal liability, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect our financial position.

On October 21, 2005, SAFE issued the Notice of SAFE on Issues Relating to Foreign Exchange Control on Fund Raisings and Round-trip Investment by Domestic Residents Through Offshore Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知 or the "Circular 75"). Circular 75 came into force on November 1, 2005 and requires PRC residents, including both legal persons and natural persons, to register with the competent local SAFE branch before establishing or controlling any company outside China, referred to as an "offshore special purpose company," for the purpose of raising funds from overseas with the assets of or equity interest in PRC companies. Circular 75 also requires that any PRC resident that is the shareholder of an offshore special purpose company shall amend its SAFE registration with the local SAFE branch with respect to that offshore special purpose company in connection with any increase or decrease of capital, transfer of shares, share exchange, merger, division, long-term investment with creditor's right investment and provision of guaranty to a foreign party without involving round-trip investment.

We are committed to complying with the requirements of Circular 75 and to ensuring compliance by our Shareholders who are PRC citizens or residents. To the best of our knowledge, as at the Latest Practicable Date, our Shareholders who are required to make the foreign exchange registration under Circular 75 have completed such registration with SAFE or its local counterpart. However, we may not at all times be fully aware or informed of the identities of all our beneficial owners who are PRC citizens or residents, and we may not always be able to compel our beneficial owners to comply with the requirements of Circular 75. As a result, we cannot assure you that all of our Shareholders or beneficial owners who are PRC citizens or residents will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by, Circular 75 or other related regulations. According to relevant PRC foreign exchange laws and regulations, if any of our Shareholders who are required to make the foreign exchange registration and amendment fails to do so, our PRC subsidiaries may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer, the principal and interests of shareholder's loans, advance recovery of investment or liquidation to us, otherwise could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, which would materially and adversely affect our Company and your investment in our Shares.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

In utilizing the proceeds from the Global Offering or any future offerings, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by us to our wholly owned PRC subsidiaries in China to finance their activities may not exceed statutory limits and must be registered with SAFE or its local counterpart. Any capital contributions to our PRC subsidiaries must be approved by the MOFCOM or its local counterpart. In addition, on August 29, 2008, SAFE promulgated Circular 142 which requires that Renminbi obtained from the settlement of capital of a foreign-invested enterprise be used for purposes within the business scope approved by the applicable government authority. Unless otherwise specified, the Renminbi obtained from the settlement of capital may not be used for domestic equity investment. Furthermore, SAFE has been strengthening its oversight of the flow and use of Renminbi funds converted from the foreign currency-denominated capital of a foreign-invested enterprise. The use of such Renminbi may not be changed without approval from SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used for purposes within the foreign-invested enterprise's approved business scope. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we receive from the Global Offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Failure to comply with PRC regulations relating to the registration of share options that belong to our employees who are PRC citizens may subject such employees or us to legal or administrative sanctions.

In January 2007, SAFE issued the Implementing Rules for the Administrative Measures of Foreign Exchange Matters for Individuals (個人外匯管理辦法實施細則), which, among other things, specified approval requirements for certain capital account transactions such as a PRC citizen's participation in the employee stock ownership plans or stock option plans of an overseas publicly-listed company. In addition, the Notice on Relevant Issues Concerning the Administration of Foreign Exchange in respect of Domestic Individuals' Participating in the Share Incentive Schemes of Overseas-Listed Companies (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), or Circular 7, was promulgated by SAFE on February 15, 2012.

In accordance with Circular 7, PRC residents who are granted shares or share options by an overseas publicly listed company under a share incentive scheme are required, through the PRC subsidiary of the overseas publicly listed company, to entrust a PRC agent to register with SAFE or its local counterpart and complete certain procedures relating to the share incentive schemes. We and our PRC employees who receive stock option plan will be subject to these regulations when we are listed on the Stock Exchange, and we will require our PRC employees to obtain approval from SAFE or its local branches when joining the share incentive scheme in order to comply with relevant rules. If we or our PRC optionees fail to comply with these regulations, we or our PRC optionees may be subject to a maximum fine of RMB300,000 and other legal or administrative sanctions.

RISK FACTORS RELATED TO THE SHARES AND OUR GLOBAL OFFERING

There has been no prior market for our Shares, their market price may be volatile and an active trading market for our Shares may not develop.

Prior to the Global Offering, there has been no public market for our Shares. The initial Offer Price for our Shares to the public will be the result of negotiations between us and the Joint Global Coordinators, and the Offer Price may differ significantly from the market price of the Shares following the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the Shares will not decline following the Global Offering.

In addition, the trading price and trading volume of the Shares may be subject to significant volatility in responses to various factors, including:

- variations in our operating results;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- regulatory developments in China affecting us, our customers or our competitors;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and China;

- developments in China healthcare market;
- changes in pricing made by us or our competitors;
- acquisitions by us or our competitors;
- the depth and liquidity of the market for our Shares;
- additions to or departures of, our executive officers and other members of our senior management;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- sales or anticipated sales of additional Shares; and
- the general economy and other factors.

Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price for our Shares is higher than the net tangible assets book value per Share initially issued to our Shareholders prior to the Global Offering. Consequently, purchasers of our Shares in the Global Offering will experience an immediate dilution in the pro forma combined net tangible assets book value of RMB4.53 (HK$5.72) per Share based on the maximum Offer Price of HK$7.38, and our Shareholders prior to the Global Offering will experience an increase in the pro forma combined net tangible assets book value per Share of their Shares.

Facts and statistics in this prospectus relating to the PRC economy and healthcare service industry may not be fully reliable.

Facts and statistics in this prospectus relating to the PRC, the PRC economy and healthcare service industry and related industry sectors in China are obtained from official government publications that we believe are reliable. However, we cannot guarantee the quality or reliability of official government publications. Neither we, the Joint Global Coordinators nor its affiliates or advisers of the parties have verified the facts and statistics nor ascertained the underlying economic assumptions relied upon in those facts and statistics obtained from official government publications. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this prospectus relating to the PRC economy and the healthcare service industry and related industry sectors in China obtained from official government publications may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. As such, no representation as to the accuracy of such facts and statistics obtained from official government publications is made. Moreover, these facts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries.

Future sales of our Shares in the public market by major Shareholders following the Global Offering could materially and adversely affect the price of our Shares.

Prior to the Global Offering, there has not been a public market for our Shares. Future sales by our existing Shareholders, or issuance by us of significant amounts of our Shares after the Global Offering, could result in a significant decrease in the prevailing market prices of our Shares. Only a limited number of the Shares currently outstanding will be available for sale or issuance immediately after the Global Offering due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing market price for our Shares and our ability to raise equity capital in the future.

You may face difficulties in protecting your interests under Cayman Islands law.

Our corporate affairs are governed by our Memorandum of Association and Articles of Association and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. Such differences may mean that our minority shareholders may have less protection than they would have under the laws of Hong Kong. For example, the Cayman Islands does not have a statutory equivalent of section 168A of the Hong Kong Companies Ordinance which provides a remedy for shareholders who have been unfairly prejudiced by conduct of our affairs. A summary of Cayman Islands company laws is set out in Appendix IV of this prospectus.

Our Controlling Shareholders have significant influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Immediately following the Global Offering, our Controlling Shareholders will hold in aggregate approximately 34.51% of our Shares, assuming the Over-allotment Option is not exercised. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions with respect to mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

The market price of our Shares when trading begins could be lower than the Offer Price.

The initial price to the public of our Shares sold in the Global Offering is expected to be determined on November 21, 2013 and in any event, not later than November 27, 2013. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be the fifth Business Day after the pricing date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

We cannot assure you that we will declare and distribute any amount of dividends in the future.

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our PRC operating subsidiaries. Under PRC law and the constitutional documents of our PRC operating subsidiaries, dividends may be paid only out of distributable profits, which refers to after tax profits as determined under PRC GAAP less any recovery of accumulated losses and required allocations to statutory capital reserve funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. The calculation of our distributable profits under PRC GAAP differs in many aspects from the calculation under IFRS. As a result, our PRC operating subsidiaries may not be able to pay a dividend in a given year if they do not have distributable profits as determined under PRC GAAP even if they have profits as determined under IFRS. Accordingly, since our Company derives all of our earnings and cash flows from dividends paid to us by our PRC operating subsidiaries in China, we may not have sufficient distributable profits to pay dividends to our Shareholders.

During the Track Record Period, the amount of dividends we paid or declared was nil. For more details on our dividend policy, see "Financial Information — Dividends and Dividend Policy". We cannot assure you that future dividends will be declared or paid. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other considerations, our operations, earnings, financial condition, cash requirements and availability, our constitutional documents and applicable law.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business, our industries and the Global Offering.

Prior to the publication of this prospectus, there has been press and media coverage regarding the Group and the Global Offering, including those in Apple Daily, Wen Wei Po, am730, Sing Tao Daily, and ET Net, which included certain information about the Group that does not appear in this prospectus. None of us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Underwriters or any other person involved in the Global Offering have authorized the disclosure of any such information in the press or media and none of these parties accept any responsibility for the accuracy or completeness of the information contained in such press articles and/or other media or the fairness or appropriateness of any forecasts, views or opinions expressed by the press and/or other media regarding our Shares, the Global Offering, our business, our industries or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information. You should rely solely upon the information contained in this prospectus in making your investment decisions regarding our Shares.

In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

CONNECTED TRANSACTIONS

We have entered into certain transactions, which would constitute non-exempted continuing connected transactions of our Company under the Listing Rules after the Listing. We have applied to the Stock Exchange for waivers from strict compliance with the announcement, reporting and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules for such non-exempted continuing connected transactions. For more details on such connected transactions and the waivers, see "Connected Transactions".

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since our principal business operations are managed and conducted primarily in China, and all the executive Directors currently reside in China, our Company considers that it would be practically difficult and commercially unnecessary to either relocate two executive Directors to Hong Kong or to appoint two additional executive Directors who are ordinarily resident in Hong Kong. We do not have, and do not contemplate in the foreseeable future that we will have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. Consequently, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 8.12 of the Listing Rules and the following arrangements have been made for maintaining regular and effective communication with the Stock Exchange:

- we have appointed Mr. Or Wing Kee and Mr. Jiang Tianfan as our two authorized representatives pursuant to Rule 3.05 of the Listing Rules. Mr. Or Wing Kee ordinarily resides in Hong Kong. He will be the Company's principal channel of communication with the Stock Exchange and can be readily contacted in Hong Kong by phone, facsimile and/or email. Mr. Jiang Tianfan ordinarily resides in China. He is readily contactable in the PRC by phone, facsimile and/or email to deal promptly with enquiries from the Stock Exchange. Both authorized representatives are authorized to communicate on behalf of the Company with the Stock Exchange and both shall be authorized to accept service of process and notices on behalf of the Company in Hong Kong under the Hong Kong Companies Ordinance;

- each of the authorized representatives has means to contact all members of the Board of Directors (including the independent non-executive Directors) and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters;

- all Directors and authorized representative have provided their mobile phone numbers, office phone numbers, facsimile numbers and email addresses to the Stock Exchange;

- each of the Directors possesses or can apply for valid travel documents to visit Hong Kong for business purpose and would be able to come to Hong Kong and meet the Stock Exchange upon reasonable notice;

- we have appointed the compliance adviser pursuant to Rule 3A.19 of the Listing Rules who will act as an additional channel of communication with the Stock Exchange and will have access at all times to the authorized representatives, the Directors and the other officer of our Company to ensure that it is in a position to provide prompt responses to any queries or requests from the Stock Exchange in respect of our Company, and will provide professional advice on matters relating to compliance with the Listing Rules and other obligations for companies listed in Hong Kong; and

- the Joint Sponsors have stressed to the Directors and the authorized representatives of the Company the importance of maintaining regular and uninterrupted communication with the Stock Exchange and, in particular, the requirements set out in Chapter 2 and Rule 3A.05 of, and Appendix 14 to, the Listing Rules.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules, the Hong Kong Companies Ordinance and the Securities and Futures (Stock Market Listing) Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Underwriters, any of their respective Directors, agents, employees or advisors or any other party involved in the Global Offering.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set forth in the section headed "How to Apply for Hong Kong Offer Shares" of this prospectus and in the Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Particulars of the structure of the Global Offering, including its conditions, are set forth in the section of this prospectus headed "Structure of the Global Offering".

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he or she is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. For applications under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement, with one of the conditions being that the Offer Price is agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters). The International Offering is expected to be fully underwritten by the International Purchasers subject to the terms and conditions of the International Purchase Agreement, which is expected to be entered into on or about the Price Determination Date.

Further information about the Underwriters and the underwriting arrangements is set forth in the section headed "Underwriting" in this prospectus.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Share Option Scheme and the Over-allotment Option).

No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the Underwriters, any of their respective Directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

REGISTER OF MEMBERS, STAMP DUTY AND ADMISSION TO CCASS

Our Company's principal register of members will be maintained by its principal registrar, Harneys Services (Cayman) Limited, in the Cayman Islands and our Company's branch register of members will be maintained by its Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited in Hong Kong. Unless otherwise approved by the Directors, all documents evidencing transfer of title to any Shares must be lodged for registration by the Company's Hong Kong Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.

Dealings in the Shares will be subject to Hong Kong stamp duty.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any Shares in the name of any particular holder unless and until the holder delivers a signed form to our Share Registrar in respect of those Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Cayman Companies Law and our Articles of Association;
- agrees with us and each of our Shareholders that the Shares are freely transferable by the holders thereof; and
- authorizes us to enter into a contract on his or her behalf with each of our Directors, managers and officers whereby such Directors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

OVER-ALLOTMENT OPTION AND STABILIZATION

For details of the arrangements relating to the Over-allotment Option and stabilization, see "Structure of the Global Offering".

CURRENCY TRANSLATIONS

This prospectus contains, for the purpose of illustration only, translation of certain amounts of RMB into Hong Kong dollars in this prospectus at the following rates, unless otherwise indicated:

RMB1.00	:	HK$1.2630
US$1.00	:	HK$7.75

No representation is made that any amounts in RMB, U.S. dollar or Hong Kong dollar can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

CHINESE NAMES

In this prospectus, if there is any inconsistency between the Chinese name of the entities or enterprises established in China, PRC nationals, PRC government entities or PRC laws, rules and regulations and their English translations, the Chinese names shall prevail. English translations of names of entities or enterprises established in China and PRC laws, rules and regulations are for identification purpose only.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

Name	Residential Address	Nationality
DIRECTORS		
Executive Directors		
Mr. Liang Hongze (梁洪澤先生)	Rm. 301, Unit 1, Bldg. 4, Zhuquemen Jiayuan, No. 8, Taiping Street, Xicheng District, Beijing, 100050 China	Chinese
Ms. Xu Jie (徐捷女士)	Rm. 1801, Bldg. 1, Four Seasons Private Apartment, No. 48, Liangmaqiao Rd., Chaoyang District, Beijing, 100125 China	Chinese
Mr. Zhang Liang (張亮先生)	Rm. 501, Unit 2, Bldg. 4, Meiliyuan Community, Xi Sihuan Road, Haidian District, Beijing, 100097 China	Chinese
Mr. Xu Zechang (徐澤昌先生)	23-3, Area One, Daning Shanzhuang, Fangshan District, Beijing, 102445 China	Chinese
Mr. Jiang Tianfan (江天帆先生)	Rm. 1606 Bldg. 4, No. 16, Dongsanhuan Zhong Road, Chaoyang District, Beijing, 100022 China	Chinese

Name	Residential Address	Nationality
Non-executive Director		
Mr. Yang Huisheng (楊輝生先生)	Rm. 1102, Unit 1, No. 1, Area 3, Yuanda Garden, Shijicheng Community, Haidian District, Beijing, 100097 China	Chinese
Mr. Zhu Zhongyuan (朱忠遠先生)	Rm. 403, Bldg. 10, No. 1299, Dingxiang Rd., Pudong New Area, Shanghai, 200135 China	Chinese
Independent non-executive Directors		
Mr. Kwong Kwok Kong (鄺國光先生)	Flat 1014, Block M, Kornhill, 43-45 Hong Yue Street, Hong Kong	British
Ms. Cheng Hong (程紅女士)	Rm. 501, Unit 1, Bldg. 8, Area 7, No. 15, Wanshou Road A, Haidian District, Beijing, 100036 China	Chinese
Mr. Wang Bing (王冰先生)	No. 211, Huayuan Jinglinwan, Changping District, Beijing, 102208 China	Chinese
Mr. Sun Jianhua (孫建華先生)	Rm. 601, Unit 2, Bldg. 7, Jinduhangcheng Community, Baiziwan Road, Chaoyang District, Beijing, 100022 China	Chinese

For more details on our Directors, see "Directors and Senior Management".

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Global Coordinators (in alphabetical order)	Deutsche Bank AG, Hong Kong Branch Level 52 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
Joint Bookrunners and Joint Lead Managers	Deutsche Bank AG, Hong Kong Branch Level 52 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
	BOCOM International Securities Limited 9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
Joint Sponsors (in alphabetical order)	Deutsche Securities Asia Limited Level 52 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	Goldman Sachs (Asia) L.L.C. 68th Floor, Cheung Kong Center 2 Queen's Road Central Central Hong Kong

Legal Advisers to our Company	*As to Hong Kong law:* Brandt Chan & Partners in association with SNR Denton HK LLP 3201 Jardine House 1 Connaught Place Central Hong Kong *As to United States law:* O'Melveny & Myers LLP 37th Floor, Office Building Yin Tai Centre 2 Jianguomenwai Avenue Chaoyang District Beijing 100022 China *As to PRC law:* Commerce & Finance Law Offices 6F NCI Tower, A12 Jianguomenwai Avenue Chaoyang District Beijing 100022 China *As to Cayman Islands law:* Harney Westwood & Riegels 3601 Two Exchange Square 8 Connaught Place Central Hong Kong
Legal Advisers to the Joint Sponsors and the Underwriters	*As to Hong Kong and United States law:* Sullivan & Cromwell 28th Floor Nine Queen's Road Central Hong Kong *As to PRC law:* Jingtian & Gongcheng Attorneys at Law 34/F, Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing 100025 China

Auditor and Reporting Accountant	Deloitte Touche Tohmatsu 35/F One Pacific Place 88 Queensway Hong Kong
Property valuer	Jones Lang LaSalle Corporate Appraisal and Advisory Limited 6/F Three Pacific Place 1 Queen's Road East Admiralty Hong Kong
Receiving bank	Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong

CORPORATE INFORMATION

Registered office	Harneys Services (Cayman) Limited 4th Floor, Harbour Place 103 South Church Street PO Box 10240, Grand Cayman KY1-1002, Cayman Islands
Headquarters and principal place of business in China	E-825, No. 6 Taiping Street Xicheng District Beijing 100050 China
Principal place of business in Hong Kong	Suites 1214-1215 Two Pacific Place 88 Queensway Hong Kong
Company's website	www.phg.com.cn (information contained in this website does not form a part of this prospectus)
Joint Company secretaries	Mr. Or Wing Kee, *CFA* Flat D, 40/F., Tower 3 Island Harbourview 11 Hoi Fai Road Hong Kong For Mr. Or's professional qualifications and biography, see "Directors and Senior Management — Senior Management" Mr. Wong Kwok Hung Kendrick, *CPA* Flat 7, 8/F., Block 39 Heng Fa Chuen Hong Kong For Mr. Wong's professional qualifications and biography, see "Directors and Senior Management — Joint Company Secretaries"
Authorized representatives	Mr. Jiang Tianfan Rm. 1606 Bldg. 4, No. 16, Dongsanhuan Zhong Road, Chaoyang District, Beijing, 100022 China Mr. Or Wing Kee Flat D, 40/F., Tower 3 Island Harbourview 11 Hoi Fai Road Hong Kong

CORPORATE INFORMATION

Compliance adviser	Guotai Junan Capital Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Audit committee	Mr. Kwong Kwok Kong (Chairman) Ms. Cheng Hong Mr. Sun Jianhua
Remuneration committee	Mr. Wang Bing (Chairman) Mr. Sun Jianhua Mr. Zhang Liang
Nomination committee	Ms. Cheng Hong (Chairwoman) Mr. Wang Bing Mr. Liang Hongze
Principal share registrar and transfer office in Cayman Islands	Harneys Services (Cayman) Limited 4th Floor, Harbour Place 103 South Church Street PO Box 10204, Grand Cayman KY1-1002, Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers	China Merchants Bank 2nd Floor, Tower A 156 Fuxingmennei Street Xicheng District Beijing, China Industrial and Commercial Bank of China 55 Taoranting Road Xuanwu District Beijing, China

We believe that the sources of the information in this section are appropriate sources for such information, and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading, or that any fact has been omitted that would render such information false or misleading. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information that would qualify, contradict or have a material impact on such information since the date of the Frost & Sullivan Report. The information from official government and non-official sources has not been independently verified by us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy. Accordingly, the official government and non-official sources contained herein may not be accurate and should not be unduly relied upon.

SOURCE OF INFORMATION

We engaged Frost & Sullivan, a market research consultant, to prepare the industry report for use in this prospectus. Frost & Sullivan, founded in 1961, provides market research on a variety of industries, including healthcare. The information from Frost & Sullivan disclosed in this prospectus is extracted from the Frost & Sullivan Report, a report commissioned by us, and is disclosed with the consent of Frost & Sullivan. In preparing the Frost & Sullivan Report, Frost & Sullivan collected and reviewed publicly available data such as government-derived information, annual reports, trade and medical journals, industry reports and other available information gathered by not-for-profit organizations. The data collected by Frost & Sullivan was last updated in October 2013 based upon data available up to then. Frost & Sullivan adopts a comprehensive data collection model, which includes primary research with the industry stakeholders, secondary research on the government statistics, and data validation process with industry key opinion leaders. Frost & Sullivan assumes that the interviewees are not intentionally providing wrong or misleading information and the government statistics do not contain errors. Frost & Sullivan also assumes no unexpected events such as wars or disasters occur during the relevant forecasting period.

Frost & Sullivan has developed its forecast on the following bases and assumptions:

- the social, economic and political environments of the PRC will remain stable during the forecast period, which will ensure a sustainable and steady development of the PRC healthcare industry;

- the PRC healthcare market will grow as expected due to the rising healthcare demand and supply;

- the PRC government will continue to support the healthcare reform, which encourages private capital investments in the healthcare service industry; and

- the Beijing healthcare market will grow during the forecast period and will remain the most sophisticated healthcare market in China.

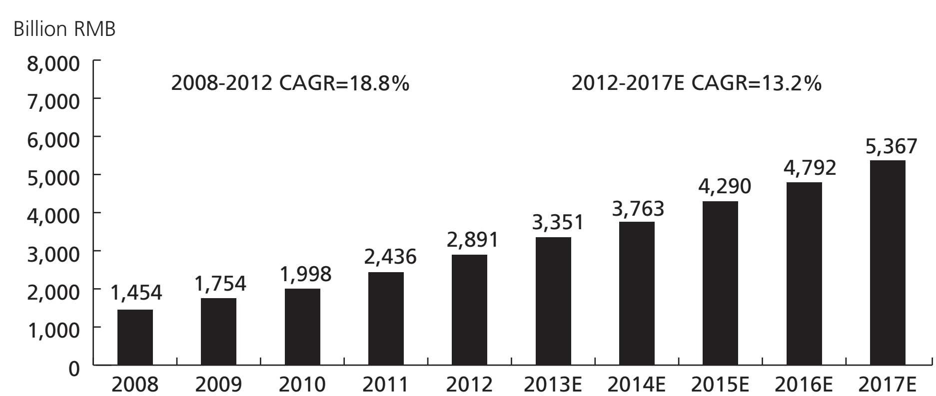
We and Frost & Sullivan believe that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. We paid Frost & Sullivan a fee of RMB850,000 for preparation and update of its industry report, which is not contingent upon the completion of the Global Offering.

HEALTHCARE SERVICE MARKET OVERVIEW OF CHINA

Healthcare services are the business that provides diagnosis, treatment and prevention of human disease, illness, injury or dysfunction through medical consultation and procedures performed by professional practitioners in medicine, optometry, dentistry, nursing, pharmacy, and other fields. China is one of the largest healthcare service markets in the world. During the period from 2008 to 2011, China's healthcare expenditure grew at a CAGR of 29.6%, the fastest among the 12 countries with the largest GDP in the world in 2011, according to the Frost & Sullivan Report. Three market participants shape the supply of and demand for the healthcare services in China: patients, payers and healthcare services providers, with the latter two largely owned and managed by the PRC government and SOEs and are currently undergoing reform.

China's Healthcare Expenditure — the Fastest Growing Market

China's total healthcare expenditure grew at a CAGR of 18.8% to RMB2,891 billion, or approximately 5.6% of GDP, in 2012 from RMB1,454 billion, or approximately 4.6% of GDP, in 2008. The Frost & Sullivan Report projects that China's total healthcare expenditure will reach RMB5,367 billion in 2017, or approximately 6.0% of GDP, representing a CAGR of 13.2% from 2012. The following chart sets forth China's total historical and projected healthcare expenditure for the periods indicated:



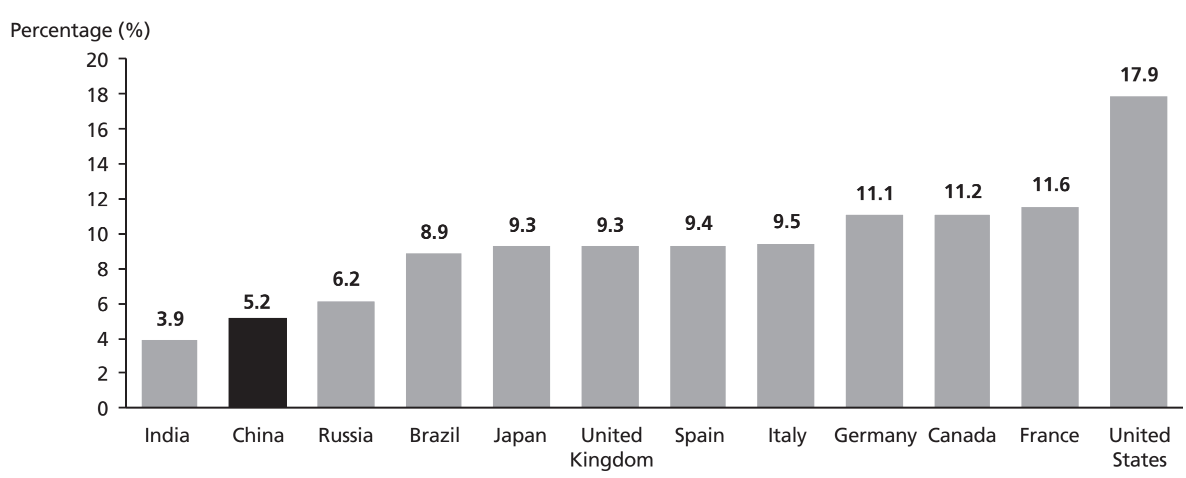
Source: Frost & Sullivan Report

The growth rate of China's healthcare expenditure from 2008 to 2011 was the highest among the 12 countries with the largest GDP in the world. China's per capita healthcare expenditure also had the highest growth rate among these 12 countries with a CAGR of 26.3% from 2008 to 2011. The following table sets forth the total and per capita healthcare expenditure of the 12 countries for the periods indicated:

Country	Rank of total healthcare expenditure in 2011	Total healthcare expenditure in 2011 (in billions of US$)	2008-2011 CAGR of total healthcare expenditure	Rank of per capita healthcare expenditure in 2011	2008 – 2011 CAGR of per capita healthcare expenditure
United States	1	2,699	7.4%	1	4.8%
Japan	2	548	10.9%	5	10.7%
Germany	3	400	0.0%	4	0.2%
China	**4**	**381**	**29.6%**	**11**	**26.3%**
France	5	322	-1.1%	3	-3.6%
United Kingdom	6	226	-2.3%	6	-3.5%
Brazil	7	222	16.6%	9	14.8%
Italy	8	209	0.0%	7	-1.5%
Canada	9	199	9.2%	2	6.7%
Spain	10	139	-2.8%	8	-7.2%
Russia	11	118	11.8%	10	12.3%
India	12	72	11.3%	12	6.2%

Source: WHO. The data for 2012 is not available as of the date of this prospectus.

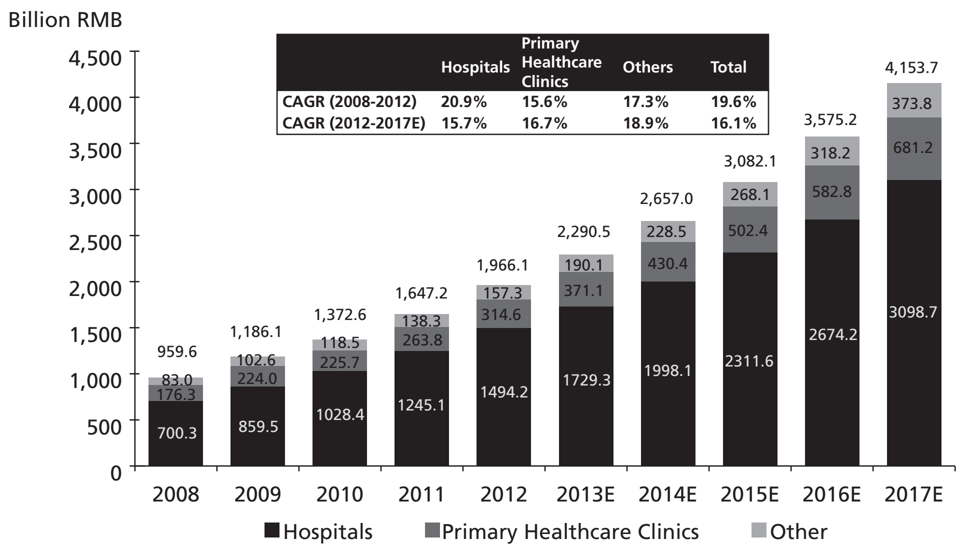
Despite China's relatively fast growth among the 12 countries with the largest GDP in the world, China is second to last among these countries in terms of per capita healthcare expenditure. In 2012, total healthcare service expenditure in China and the United States was US$464 billion and US$2,809 billion, respectively, representing 5.6% and 16.9% of their respective GDP in that year. Per capita healthcare service expenditure in China and the United States was US$345 and US$8,653, respectively, in 2012. China's relatively low healthcare and healthcare service expenditure, as a percentage of GDP and on a per capita basis, evidences potential for growth in China's healthcare services market. The following chart sets forth total healthcare expenditure as a percentage of GDP in 2011 for the 12 countries with the largest GDP in the world:



Source: Frost & Sullivan Report. The data for 2012 is not available as of the date of this prospectus.

Drivers of the Healthcare Service Market in China

Along with China's rapid economic growth in the past decade, China's GDP and disposable income of its population have grown significantly and consumers in China increasingly demand for quality healthcare services. China's healthcare services spending increased from RMB959.6 billion in 2008 to RMB1,966.1 billion in 2012 at a CAGR of 19.6% and is expected to reach RMB4,153.7 billion in 2017, representing a CAGR of 16.1% from 2012, while total healthcare services expenditure as a percentage of GDP was 3.8% in 2012 and is projected to be 4.6% in 2017. The following chart sets forth the total healthcare services spending in China for the periods indicated:



Source: Frost & Sullivan Report

The strong growth of the healthcare services industry in China was, and is expected to be, primarily driven by the factors described below.

Aging population

According to the National Bureau of Statistics of China, the percentage of the population aged 65 or above in China has increased from approximately 7.0% in 2000 to 9.4% in 2012. With 127 million people aged 65 or above in 2012, China has the largest over-65 population in the world and is the only country that has more than 100 million population aged over 65. The United Nations projects that by 2050, nearly 33% of China's population is expected to be over 65 years old, corresponding to a total of 400 million people, a number that is greater than the entire population of the United States in 2009. The growth of China's elderly population is attributable to China's low birth rate, rising life expectancy and decreasing mortality rate. An aging population is expected to lead to an increase in the demand for healthcare services due to more frequent hospital visits, higher demand for diagnosis and treatment, and longer required treatment times, especially for chronic diseases.

Acceleration of chronic disease prevalence

The types of diseases that are the most prevalent and deadly in China have changed drastically in recent years. Changing diets, reduced physical activity, pollution and a high rate of smoking have caused China to transition from a country suffering primarily from infectious diseases to chronic diseases. For example, the number of people with diabetes increased by 96% from 47 million in 2001 to 92 million in 2010. As of 2012, at least one out of five Chinese adults has at least one chronic illness, such as hypertension, diabetes and hyperlipidemia. According to the NHFPC, cancer has been the leading cause of death for urban residents in China since 2000 and for rural residents in China since 2003. The total incidence rate quadrupled from 0.06% in 1998 to 0.28% in 2012. This increase in the prevalence of chronic diseases will further drive the growth of both healthcare services and healthcare services spending.

Increasing urbanization

Industrialization and economic growth in China have resulted in rapid urbanization in China. According to the National Bureau of Statistics of China, the total urban population in China increased from 624.0 million in 2008 to 711.8 million in 2012, representing an increase of 14.1% over this period. During the same period, the urban population as a percentage of the total population increased from 47.0% to 52.6% from 2008 to 2012 and is projected to increase to 62.4% in 2017, representing a total of 866.5 million, according to the Frost & Sullivan Report. Urban per capita annual disposal income increased from RMB15,781 in 2008 to RMB24,565 in 2012 and is expected to reach RMB46,815 in 2017, while rural per capita annual disposal income increased from RMB4,761 in 2008 to RMB7,917 in 2012 and is expected to reach RMB15,824 in 2017, according to the Frost & Sullivan Report.

With higher disposable income and better insurance coverage, healthcare spending by urban residents accounted for 76.3% of total healthcare spending in China in 2012, according to the NHFPC. As a result, continuing urbanization will further increase demand for healthcare spending.

Increasing government spending

Increasing government spending on healthcare to enhance affordability and accessibility has been, and will continue to be, a key driver in China's healthcare services market.

Establishment of a universal medical insurance system

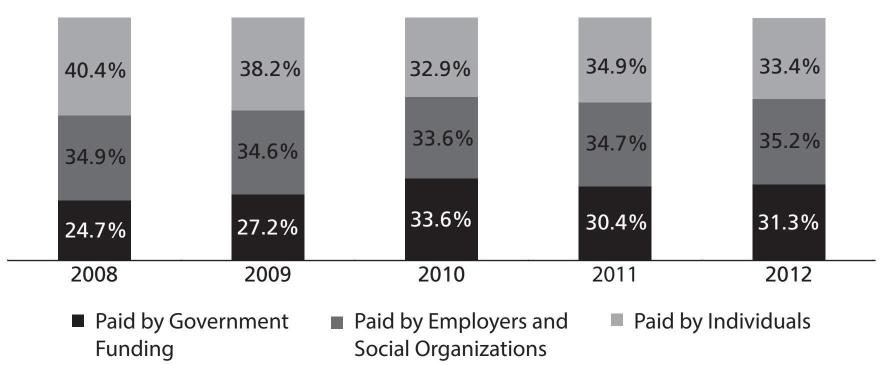
To enhance affordability of healthcare, the PRC government has been striving to establish a universal medical insurance system since 2009. According to the Frost & Sullivan Report, by the end of 2012, 99% of the total registered population in China were covered by one of three governmental insurance programs, compared to 85.3% at the end of 2008. In China, government insurance programs mainly consist of the Urban Employee Basic Medical Insurance Program ("UEBMIP") (城鎮職工基本醫療保險), Urban Resident Basic Medical Insurance Program ("URBMIP") (城鎮居民基本醫療保險), and New Rural Cooperative Medical Program ("NRCMP") (新型農村合作醫療保險).

The following table sets forth the population covered by the three medical insurance programs in China for the periods indicated:

	Year ended December 31,				
	2008	2009	2010	2011	2012
	(in millions of people, except for percentage data)				
URBMIP	118.3	182.1	195.0	221.0	271.0
UEBMIP	200.0	219.4	237.0	252.0	265.0
NRCMP	815.0	833.0	836.0	831.0	805.0
Total population covered by the three programs	**1,133.2**	**1,234.5**	**1,268.0**	**1,304.0**	**1,341.0**
Overall population in China	1,328.0	1,334.5	1,340.9	1,347.4	1,354.0
Coverage Rate	85.3%	92.5%	94.6%	96.8%	99.0%

Source: Frost & Sullivan Report

Government healthcare spending as a percentage of total healthcare spending increased from 24.7% in 2008 to 31.3% in 2012, while out-of-pocket healthcare spending by the individual as a percentage of total healthcare spending decreased from 40.4% to 33.4% during the same period. The following graph sets forth a breakdown of China's total healthcare expenditure by payers for the periods indicated:



Source: Frost & Sullivan Report

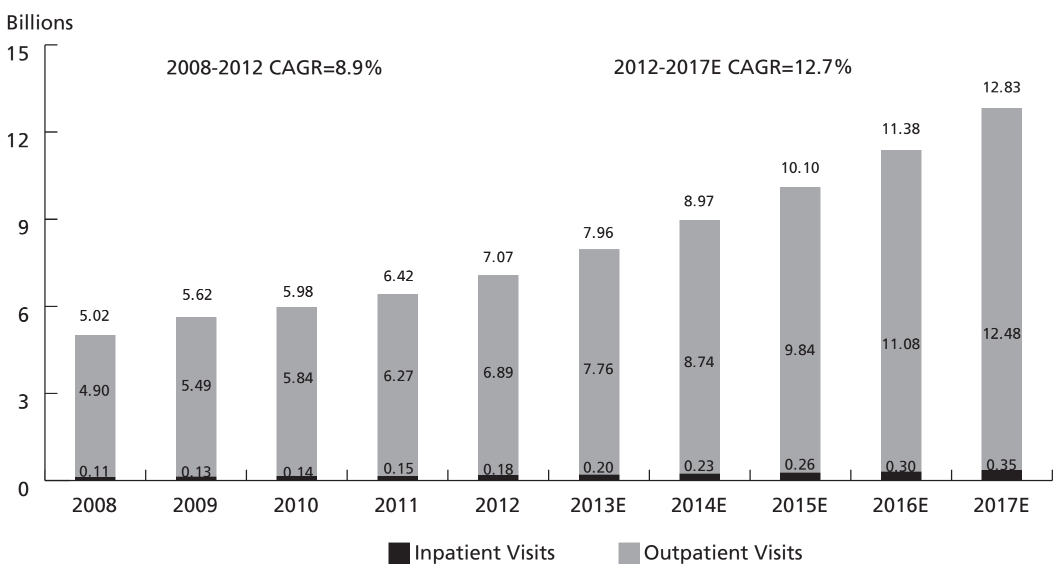
Development of healthcare facilities

The PRC government intends to build and develop more healthcare facilities, especially at the primary healthcare service level, and upgrade a significant number of existing medical facilities to improve the accessibility of the healthcare services. According to the Opinions on Deepening the Healthcare System Reform (中共中央國務院關於深化醫藥衛生體制改革的意見) issued in April 2009 by the CPC Central Committee and State Council, the government plans to further develop healthcare infrastructure in China, especially in the rural areas. From 2009 to 2012, the PRC government has spent more than RMB69 billion to establish or upgrade over 2,200 county-level hospitals, over 6,200 township healthcare centers, over 2,300 urban community clinics and more than 25,000 rural community clinics. In addition, the PRC government plans to improve the quality of healthcare services by developing new medical technologies to help provide better treatment through, among other things, earlier detection and better prevention of disease.

HEALTHCARE SERVICE MARKET PARTICIPANTS IN CHINA — PATIENT ASPECT

The incidence rate of various kinds of diseases in China is growing, mainly as a result of its aging population, prevalence of chronic diseases and lifestyle changes. Such increased incidence rate, coupled with rising health awareness, has led to increased demand for higher quality healthcare services.

According to the Frost & Sullivan Report, total patient visits in China increased from 5.02 billion in 2008 to 7.07 billion in 2012, representing a CAGR of 8.9%, and is expected to reach 12.83 billion in 2017, representing a CAGR of 12.7% from 2012. The following chart sets forth total patient visits in China for the periods indicated:



Source: Frost & Sullivan Report

Out of the total 7.07 billion patient visits in 2012, hospitals saw 127.3 million inpatient visits, followed by primary healthcare clinics with 42.1 million inpatient visits. For outpatients, primary healthcare clinics served 4.1 billion outpatient visits, followed by hospitals with 2.5 billion outpatient visits in 2012. The remaining patient visits were recorded at other healthcare facilities.

The spending per patient visit has also increased during the same period. The following tables set forth China's average spending per outpatient visit and per inpatient visit for the periods indicated:

Average spending per outpatient visit

	2008	2009	2010	2011	2012
			(RMB)		
Hospitals	138.3	152.0	166.8	179.8	192.5
Urban primary healthcare clinics	87.2	84.0	82.8	81.5	84.6
Rural primary healthcare clinics	42.5	46.2	47.5	47.5	49.2
Average	**106.1**	**114.7**	**124.1**	**134.0**	**143.1**

Source: Frost & Sullivan Report

Average spending per inpatient visit

	2008	2009	2010	2011	2012
			(RMB)		
Hospitals	5,234.1	5,684.0	6,193.9	6,632.2	6,980.4
Urban primary healthcare clinics	2,514.2	2,317.4	2,357.6	2,315.1	2,417.9
Rural primary healthcare clinics	790.8	897.2	1,004.6	1,051.3	1,140.7
Average	**3,841.5**	**4,231.7**	**4,778.4**	**5,279.8**	**5,896.4**

Source: Frost & Sullivan Report

Although the growth of healthcare service spending in rural areas has been faster than that of urban areas in the last few years, most of the healthcare service expenditure has been, and will continue to be, concentrated in urban areas. Healthcare service spending by urban residents accounted for over two-thirds of the total healthcare service spending in China in 2012, according to the NHFPC.

Asia is a popular medical tourism destination mainly due to price competitiveness and, in the case of China, some overseas patients' desire to explore traditional Chinese medical treatment. According to the Frost & Sullivan Report, the Asian medical tourism market is expected to grow from US$6.62 billion in 2012 to US$10.6 billion in 2015. The top three medical tourism markets in Asia in 2012 were Thailand, Singapore and India, each with a medical tourism market size of US$3.70 billion, US$1.10 billion and US$1.06 billion, respectively. Frost & Sullivan predicts that the medical tourism market in these three countries will grow to US$5.62 billion, US$1.72 billion and US$1.83 billion, respectively, in 2015.

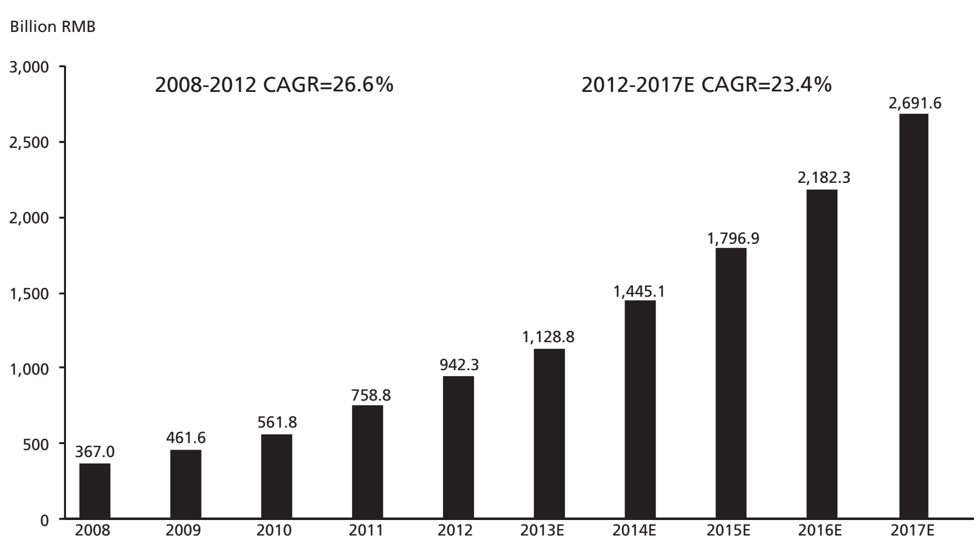
HEALTHCARE SERVICE MARKET PARTICIPANTS IN CHINA — PAYER ASPECT

Overview of the Medical Insurance System in China

A key component of China's healthcare reform is the establishment of universal healthcare coverage of essential healthcare service for all of its citizens. At present, China's public medical insurance system has three basic components: (1) UEBMIP, a mandatory program covering urban workers and retirees; (2) URBMIP, a voluntary program for urban residents; and (3) NRCMP, a voluntary program for the rural population. According to the Frost & Sullivan Report, by the end of 2012, the two urban insurance programs covered over 95% of the total registered urban population, and the rural insurance program covered approximately 98% of the total registered rural population. The government aims to achieve 100% coverage by 2020. The proportion of out-of-pocket spending from patients is expected to continue to decrease in the next few years due to increasing coverage and rising reimbursement rates from the three insurance programs. However, these three insurance programs only provide coverage for basic healthcare services, commercial insurance is gaining traction amongst population who wants to supplement their basic health coverage.

Funding sources of medical insurance programs

Primarily due to the government's initiatives to increase its spending to improve the affordability of healthcare services in China, the total funding of the three insurance programs have increased significantly from RMB367.0 billion in 2008 to RMB942.3 billion in 2012 and is expected to increase to RMB2,691.6 billion in 2017, according to the Frost & Sullivan Report. The following chart sets forth the total funding of these three medical insurance programs for the periods indicated:



Source: Frost & Sullivan Report

Unlike the UEBMIP to which urban workers and their employers are required to make contributions, the URBMIP and the NRCMP rely on government subsidies and personal contributions. The following table sets forth certain information regarding each insurance program:

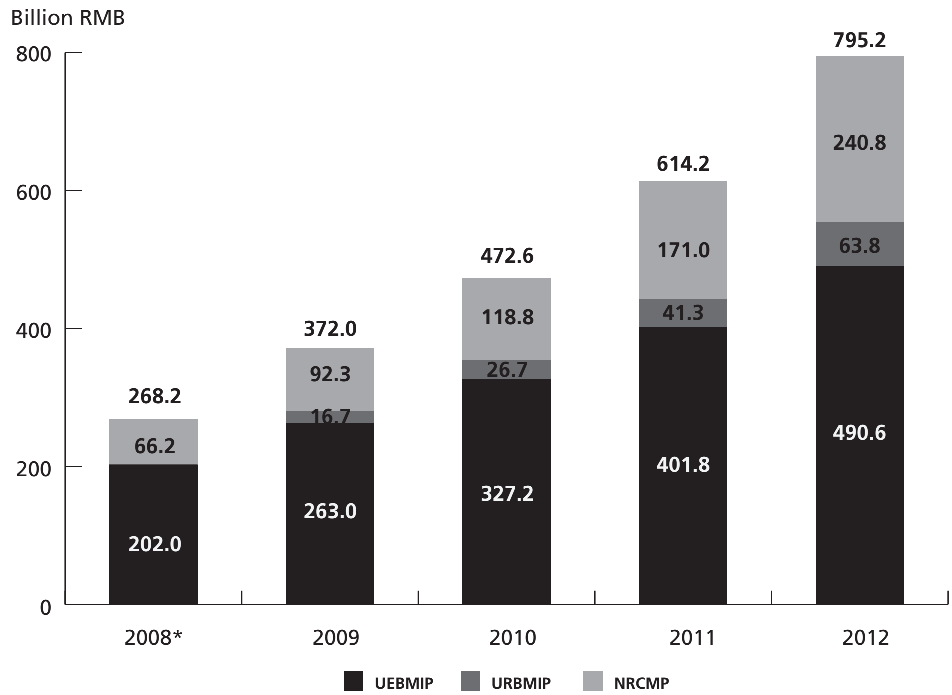
Program	Funding source	Per Capita funding in 2012 (RMB)	Financing
UEBMIP	Employers and employees	2,619	An employee and his or her employer shall pay 2% and 6%, respectively, of such employee's monthly salary into the insurance fund every month.
URBMIP	Urban residents and governments	320	Varies among cities; the urban resident pays approximately 20% to 40% of the funding while the government pays the balance.
NRCMP	Rural residents and governments	308	Varies among rural areas; the rural resident often pays approximately 20% to 40% of the funding while the government pays the balance.

Source: Frost & Sullivan Report

As local governments play a significant role in contributing to the medical insurance programs, different funding abilities of local governments have led to geographical disparities among medical insurance programs in China. As a result, medical insurance programs in wealthier areas, such as Beijing and Shanghai, offer significantly higher medical insurance coverage and reimbursements than other regions. Some wealthier regions have also established additional medical insurance systems to supplement the three basic medical insurance programs to afford their residents with better healthcare services.

Payments made by medical insurance programs

Medical institutions in China receive payment for their services from the patients themselves and from various medical insurance programs. The payments made by the three insurance programs have steadily increased since their inception. The total payment by these three government medical insurance programs increased significantly from RMB268.2 billion in 2008 to RMB795.2 billion in 2012 and is expected to continue to increase to RMB2,492.2 billion in 2017, according to the Frost & Sullivan Report. The diagram below sets forth the total payment by these three medical insurance programs for the years presented.



* URBMIP was established in 2007 as the pilot programs, and the statistics data has been available since 2009

Source: Frost & Sullivan Report

Pricing trends and government regulation

The pricing of healthcare services and pharmaceutical, medical devices and consumable sales in China is subject to strict government regulation. According to the Frost & Sullivan Report, the NDRC adjusts the prices of pharmaceuticals included in the RDL every three to four years and certain types of pharmaceuticals periodically. The drug tendering system is also affected by periodic adjustments by the NDRC every three to four years. Local governments also follow the NDRC's lead, but the frequency and scale of the adjustments vary by region. Both the NDRC and the Beijing government made a significant downward adjustment to the "bidding price" of a large number of pharmaceuticals in 2009. Subsequently, they conducted ad hoc public auctions relating to certain pharmaceuticals from time to time and adjusted the "bidding price" of such pharmaceuticals from 2009 to 2011. Medical consumable prices are controlled at the local level by regional governments and are not subject to national control. In Beijing, medical consumable prices are determined through a bidding process mandated by the Beijing NDRC. Healthcare services prices are subject to national and local guidelines. For more details on the regulation of the prices of healthcare services, see "Business — Price Control and Pricing" and "PRC Laws, Rules and Regulations — Legal Supervision over the Healthcare Sector in China — Categories of Medical Institutions in China". For more details on the regulation of the sale and prices of pharmaceuticals, medical devices and medical consumables in China, see "Business — Price Control and Pricing", "PRC Laws, Rules and Regulations — Laws and Regulations on Pharmaceutical Distribution — Regulations on Centralized Pharmaceutical Procurement by Medical Institutions" and "PRC Laws, Rules and Regulations — Regulations on the Supervision over the Procurement of Medical Consumables". In general, price trends for healthcare service fees are difficult to assess due to various factors involved and constantly evolving medical technologies, products and treatments. Moreover, the PRC government has attempted to improve affordability for patients by controlling prices for healthcare services.

Induced by the price controls on pharmaceuticals and the procurement practices of hospitals in China, a centralized procurement process derived from hospital management business, such as our supply chain business, has emerged to combine the procurement needs of multiple hospitals to obtain volume discounts. This is different from traditional pharmaceutical distribution business because it generally does not supply other third-party hospitals, but instead serves the procurement need of hospitals under common ownership or control.

Key Trends of the Medical Insurance System in China

Integration of urban and rural government medical insurance programs

As part of the government healthcare reform plan, the integration of urban and rural resident medical insurance programs has been implemented in some wealthier regions of China, such as Zhenjiang and Wuxi in Jiangsu Province. The further integration of URBMIP and NRCMP in more regions due to rapid urbanization could lead to improved affordability of healthcare services.

Development of commercial medical insurance

Currently, commercial medical insurance in China provides supplemental coverage for patients to "top up" their health coverage as the public medical insurance programs only provide coverage for basic healthcare services. Commercial medical insurance has grown steadily since its establishment in 1982 and its growth has been encouraged by the government to provide additional insurance coverage beyond basic insurance. According to the Frost & Sullivan Report, the commercial insurance expenditure has grown from RMB18 billion in 2008 to RMB30 billion in 2012, while the size of the commercial insurance premiums has grown from RMB59 billion in 2008 to RMB86 billion in 2012.

The development of China's overall insurance industry, government support and continuing healthcare reform have promoted the development of commercial medical insurance, which enhances affordability for high-end healthcare services. However, the commercial medical insurance market has not been able to meet the increasing demand due to various reasons, such as undifferentiated products, high-cost distribution model, lack of incentive for government and SOE-owned healthcare providers to cooperate, shortage of medical insurance expertise, deficiency in strict supervision, regulation and relevant legal infrastructure. In the meantime, existing gaps in the public insurance coverage will open up opportunities for commercial insurance providers as the government is increasingly looking beyond public insurance for incremental coverage of medical insurance for China's population. The commercial insurance industry is expected to reach RMB96 billion in terms of expenditure and RMB231 billion in terms of premiums by 2017 due to population growth, increasing income per capita and public medical insurance's limited coverage.

Changes in reimbursement policies

The introduction and expansion of the three government medical insurance programs require significant fiscal support by local governments as the funding of URBMIP and NRCMP rely heavily on subsidies from local governments. For example, in Beijing, medical insurance fund expenses have risen significantly due to growing medical insurance enrollment and better, more advanced but more costly treatments. As a result, some regions in China are changing medical insurance reimbursement methods to achieve better efficiency and minimize the risk of insurance fund deficits. Beijing is now the first city to introduce a Diagnosis Related Groups ("DRG") method of payment for certain hospitals in 2011. The DRG method is based on a variety of factors, such as patient age, disease diagnosis, complications, treatment, disease severity and outcome. The DRG method considers hundreds of disease groups and reasonable costs of each disease group and determines the optimal amount to be paid by the medical insurance fund for each disease group. Due to its complexity, full adoption of the DRG method will require a considerable period of time.

HEALTHCARE SERVICE MARKET PARTICIPANTS IN CHINA — PROVIDER ASPECT

Overview of Healthcare Service Provider System in China

At present, China's healthcare providers consist of hospitals, primary healthcare clinics, and other medical institutions, among which hospitals play the most important role. The following table sets forth a breakdown of revenue, inpatient visits and outpatient visits by type of medical institution in 2012:

	Revenue	Inpatient visits	Outpatient visits
Hospitals	76.0%	71.5%	36.9%
Primary healthcare clinics	16.0%	23.6%	59.7%
Others	8.0%	4.9%	3.5%
Total	**100%**	**100%**	**100%**

Source: Frost & Sullivan Report

Grades of hospitals

There were about 23,170 hospitals in China in 2012, mostly in large cities. The majority of the hospitals are classified as Grade I, Grade II, or Grade III hospital in accordance with a hierarchy established by the NHFPC in the late 1980s. Grade III hospitals are the largest and best regional hospitals. For more details, see "Glossary — Grade III Hospital". This classification is based on a number of factors, such as the type and quality of healthcare services, the number of beds, and teaching and research capabilities. This hierarchy was designed to rationalize the allocation of medical resources and treatment methods. The current government medical insurance programs' co-pay policies also adhere to this hierarchy, with higher grade hospitals allowed to charge higher fees. The following chart sets forth the comparison of major operating metrics for each hospital grade in 2012:

	Total number	Total beds in operation	Total patient visits received
Grade I hospital	5,962	0.3 million	0.18 billion
Grade II hospital	6,566	1.8 million	1.11 billion
Grade III hospital	1,624	1.5 million	1.14 billion
Unclassified hospitals	9,018	0.6 million	0.24 billion
Total	**23,170**	**4.2 million**	**2.67 billion**

Source: Frost & Sullivan Report

Public versus Private hospitals in China

Public hospitals dominate China's healthcare service industry, with approximately 86% of total hospital beds in operation and more than 90% of total hospitals revenue in China. Approximately 73% of public hospitals are owned by the central and local governments, 25% are owned by SOEs and 2% are owned by the military. Compared with the public hospitals, the average scale of private hospitals is small and many are speciality hospitals. The following chart sets forth a comparison of key metrics of public and private hospitals in China in 2012:

	Public hospital	Private hospital
Number of hospitals[1]	13,384	9,786
Total beds in operation[1]	3.6 million	0.6 million
Inpatient visits	113.3 million	14.0 million
Outpatient visits	2.29 billion	0.25 billion
Total revenue	RMB1,391.3 billion	RMB102.9 billion

1. As of December 31, 2012.

Source: Frost & Sullivan Report

Private hospitals represent a fast growing segment in the PRC healthcare service industry, especially since the PRC government launched the new healthcare reforms in 2009. With government support, the number of private hospitals have grown from 5,403 in 2008 to 9,786 in 2012, according to the Frost & Sullivan Report. Private hospital revenue also rose from RMB45.6 billion in 2008 to RMB102.9 billion in 2012, representing a CAGR of 22.6%, and is expected to reach RMB251.8 billion in 2017, representing a CAGR of 19.6%. In particular, revenue generated by private general hospitals increased from RMB24.9 billion in 2008 to RMB73.3 billion in 2012, representing a CAGR of 31.0%, and is expected to reach RMB160.4 billion in 2017, representing a CAGR of 17.0%. Frost & Sullivan Report also suggested rapid growth in patient visits to private hospitals. Private hospitals saw inpatient visits of 4.7 million and 14.0 million in 2008 and 2012, respectively, and are expected to see 44.3 million inpatient visits in 2017. The outpatient visits received by private hospitals were 132 million and 250 million in 2008 and 2012, respectively, and are also expected to increase to 670 million in 2017. Private hospital beds have increased from 273,000 in 2008 to 582,000 in 2012 and is expected to reach at least 1.1 million by 2015. The percentage of beds in operation in private hospitals is expected to reach at least 20% of total beds in operation in China by 2015, according to China's 12th "Five-Year-Plan".

The table below sets forth certain information of the top five private hospital groups in terms of beds in operation and number of patient visits, respectively, in China as of December 31, 2012:

Hospital group	Number of beds in operation as of December 31, 2012
Phoenix Healthcare Group (鳳凰醫療集團)	3,194
Dongguan Kanghua (東莞康華醫院)	~2,500
Dongguan Donghua (東莞東華醫院)	~1,800
Jinling Pharmaceutical (金陵藥業)	~1,700
Nanjing Tongren (南京同仁)	~600

Source: Frost & Sullivan Report

Hospital group	Number of patient visits in 2012 (millions)
Phoenix Healthcare Group (鳳凰醫療集團)	3.05
Dongguan Kanghua (東莞康華醫院)	2.22
Jinling Pharmaceutical (金陵藥業)	1.62
Dongguan Donghua (東莞東華醫院)	1.54
Nanjing Tongren (南京同仁)	1.30

Source: Frost & Sullivan Report

Future trends for private hospitals in China will include the establishment of new hospitals and the privatization of existing public hospitals through equity acquisition or PPP. According to the Frost & Sullivan Report, private hospitals are expected to continue increasing their market share in the healthcare services market and are likely to focus on high-end healthcare services. This is being driven by the increasing demand for healthcare services in China, the need to build hospitals in urban areas and suburbs, government policies encouraging the growth of private hospitals, and the privatization trend of public hospitals. However, such trends may encounter difficulties, including urban planning that restricts the establishment of new hospitals and high standards for qualifying as Medical Insurance Designated Healthcare Institution.

HEALTHCARE REFORM IN CHINA

The Healthcare Reform launched in 2009 by the PRC government aims to improve the overall affordability and accessibility of healthcare services. There are four key targets of the healthcare reform plan. The following table sets forth the key targets and milestones and the corresponding time periods for China's healthcare reform:

Key Targets	2009-2011	2012-2014	2015-2020
Establish a universal healthcare scheme to meet the essential medical needs of 95% of the population	• Expanding the coverage of UEBMIP URBMIP NRCMP	• Aiming to integrate urban and rural resident insurance programmes	• Continuously increasing the amount of funding and expanding healthcare coverage
Create and implement national essential drug list (EDL) system	• Implementing EDL system at primary healthcare service level • Achieving zero margin on EDL drugs • Procurement through public bidding	• Increasing pharmaceuticals covered under EDL from 307 to 520 • Increasing EDL adoption by various healthcare institutions	• Continuously optimizing EDL
Improve professional medical expertise, especially at the primary healthcare service level	• Establishing urban community healthcare centers and rural medical institutions, including county hospitals and township clinics	• Focusing on strengthening professional expertise of the professionals at various primary healthcare service level	• Further upgrading medical facilities • Focusing on prevention and early detection of diseases
Public hospital reform	• Separating sponsorship and operations of public hospitals • Reducing revenue dependency on pharmaceutical sales	• Encouraging private capital to invest in healthcare services industry	• Large scale privatization or public-private partnership

Source: Frost & Sullivan Report

Beijing has also launched pilot programs, including establishing an executive committee for each hospital, changing reimbursement method from fee-for-service to DRG and testing the abolishment of a fixed 15% profit margin ceiling for the sale of pharmaceuticals at two selected medical institutions.

Public Hospital Reform

In 2010, the PRC government selected 17 cities, including Beijing, as pilot cities for public hospital reform. These cities have undertaken different measures and promulgated various trial policies. For example, Beijing government issued the "Certain Policies on Further Encouraging and Guiding Private Capital to Invest in Medical Institutions" (關於進一步鼓勵和引導社會資本舉辦醫療機構若干政策) ("Beijing 18-Item Policies") in 2012, which encourages and provides guidance to private capital to participate in the public hospital reform in Beijing through either cooperation, acquisitions or other means. Beijing government has also expressed a preference for private sector partners with good reputation, extensive hospital operational experience and a successful track record in public hospital reform. Beijing's position as the political center of China and as one of the pilot cities in public hospital reform suggests that its measures will likely have significant influence on public hospital reform in other parts of China.

In the long term, the Frost & Sullivan Report predicts that more professional hospital operators will manage public hospitals as the PRC government seeks to reform public hospitals by equity transfer, PPP or other means. Given that the PRC government has expressed the need to preserve the public welfare and the value of state-owned assets, the PPP appears attractive. PPP does not change the ownership of the hospital assets or the not-for-profit nature of the public hospitals, while delivering much improved operational efficiency.

Private Capital Investing in Hospitals

Since 2009, the PRC government has been issuing guidance and promulgating policies that encourage private capital to invest in the healthcare service industry in China.

Most recently, the State Council issued "Certain Opinions on Promoting the Development of Healthcare Services" (關於促進健康服務業發展的若干意見 or "Certain Opinions") on October 14, 2013, to further promote hospital reform as part of overall healthcare reform, mainly including the optimization of healthcare service resources and the acceleration of public hospital reform. It encourages local government to take a more flexible approach in meeting their public health service provider function, including establishing new hospitals, privatizing public hospitals and outsourcing the management of public hospitals to private hospital management companies ("公辦民營"). For for-profit hospital, it further relaxes restrictions on requirement of the number, scale, and location of hospitals and of limits on the number of large medical equipment.

In China's 12th Five-Year Plan published in 2012 by the State Council, the PRC government reiterated its decision to facilitate private capital's access to the healthcare service industry and targets increasing the number of beds in operation in private hospitals to about 20% of total beds in operation in China by 2015. At the same time, the Beijing government plans to increase the percentage of beds in private hospitals from 13% in 2010 to 20% by 2015. The following are some measures taken by local governments to promote investment by private capital in the healthcare service industry:

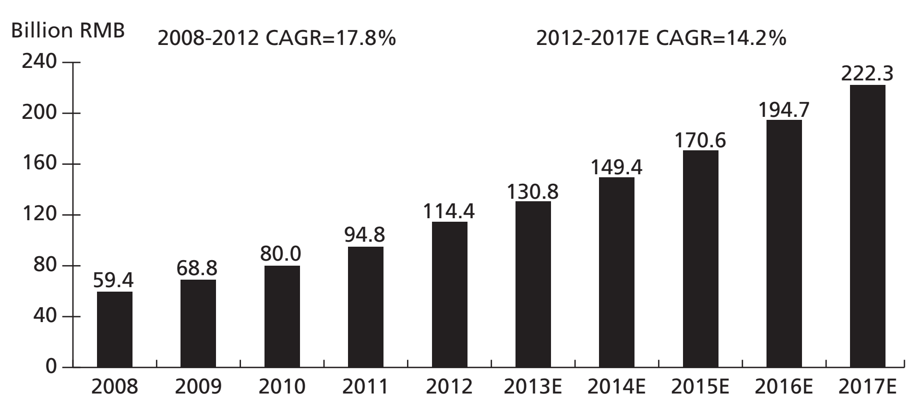
- The Beijing government launched the Beijing 18-Item Policies in 2012 to encourage private investments in healthcare.
- The Jiangsu provincial government plans to only establish new private large Grade III hospitals.
- The Shanghai government is promoting high-end private hospitals.
- The Shenzhen government plans to only establish two new Grade III private hospitals, rather than to establish new public Grade III hospitals.

HEALTHCARE SERVICE MARKET IN BEIJING

Beijing's Healthcare Service Market

Beijing, as the capital city and one of the wealthiest regions in China, has witnessed rapid growth in its healthcare market. According to the Frost & Sullivan Report, the total revenue of healthcare services market in Beijing grew from RMB59.4 billion in 2008 to RMB114.4 billion in 2012, representing a CAGR of 17.8%, and is expected to further grow to RMB222.3 billion in 2017 at a CAGR of 14.2%. Beijing's healthcare cost per capita in Beijing was RMB4,826 in 2011, far exceeding that of most other developed cities in China due to its advanced medical technology, greater medical insurance coverage and higher reimbursement rates.

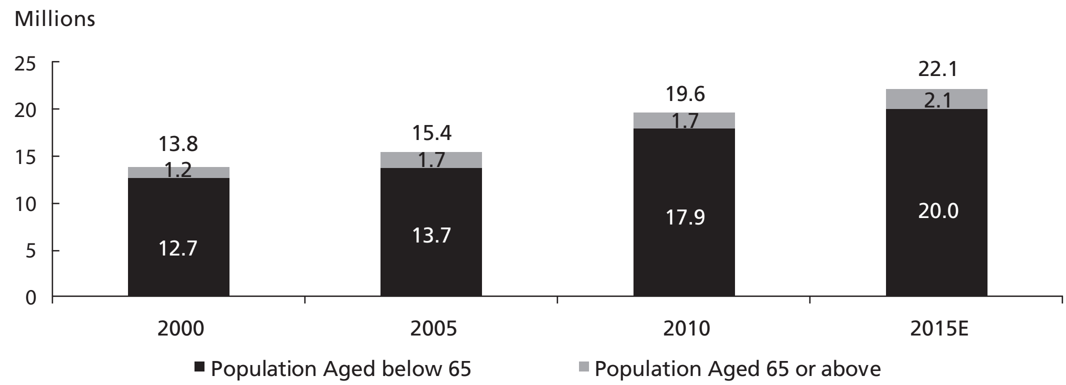
The following chart sets forth Beijing's healthcare services market for the periods indicated:



Source: Frost & Sullivan Report

Healthcare Service Market Participants in Beijing — Patient Aspect

Beijing faces a growing population of elderly people aged 65 or above, which has increased by 47.4% from 1.2 million people in 2000 to 1.7 million people in 2010 and is expected to increase by 80.2% to 2.1 million in 2015 according to the Frost & Sullivan Report. The following chart sets forth the trend of Beijing's population growth for the periods indicated:



Source: Frost & Sullivan Report

Beijing's aging population contributes to the growing incidence rate of chronic and acute diseases. According to Beijing health authorities, the major causes of chronic and acute disease deaths among Beijing residents in 2011 were due to cancer, cardiovascular disease and cerebrovascular disease, which accounted for 27%, 25% and 22% of all deaths, respectively. In addition, the prevalence rates of hypertension, diabetes and dyslipidemia among Beijing residents in 2011 were 34%, 8.9% and 51%, respectively, which increased by 11.6%, 3.5% and 45.6%, respectively from 2008. The rapid increase of these chronic and acute diseases are related to factors such as obesity, smoking, and environmental degradation.

Beijing also attracts a significant number of non-residents seeking medical treatments, which helps to boost the growth of healthcare services in Beijing. According to a survey conducted by Frost & Sullivan in 2012, from 2010 to 2012, non-resident inpatients and non-resident outpatients respectively accounted for approximately 50% and 33% of total inpatients and outpatients treated by Grade III hospitals in Beijing.

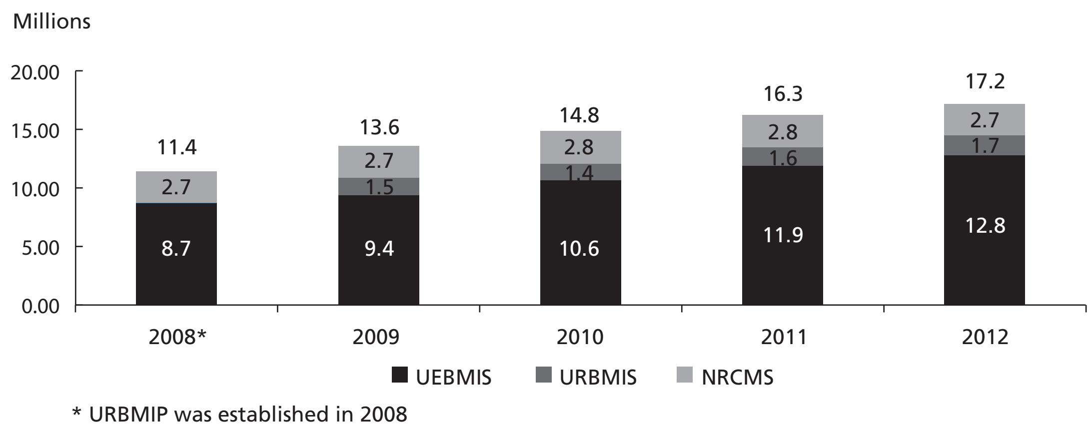
As a result, medical institutions in Beijing, especially public hospitals, have experienced an increasing number of patient visits. The following table sets forth the outpatient visits and inpatient visits at public and private hospitals in Beijing for the periods indicated:

		Year ended December 31,					2008-2012
	Hospital	**2008**	**2009**	**2010**	**2011**	**2012**	**CAGR**
				(millions)			
Outpatient visits	Public	74.7	77.6	86.0	95.2	121.2	12.9%
	Private	4.8	6.1	7.4	9.1	11.6	24.4%
Inpatient visits	Public	1.4	1.5	1.6	1.7	2.3	14.4%
	Private	0.1	0.1	0.1	0.2	0.2	28.7%

Source: Frost & Sullivan Report

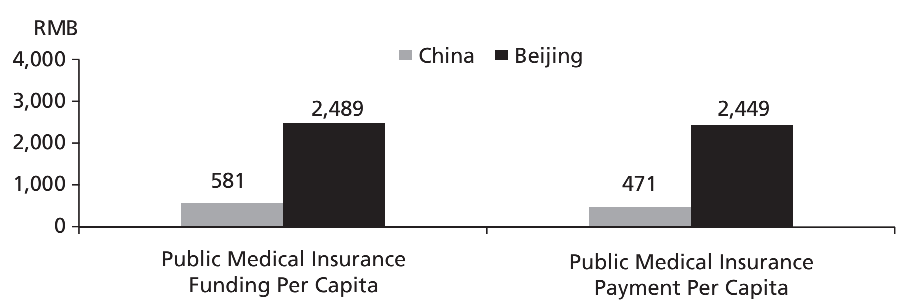
Healthcare Service Market Participants in Beijing — Payer Aspect

Beijing has developed an advanced medical insurance system. In 2012, each of Beijing's UEBMIP, URBMIP and NRCMP covers approximately 12.8 million, 1.7 million, and 2.7 million Beijing residents, respectively. In addition, there are several other medical insurance programs available in Beijing, such as medical subsidy program for civil servants, insurance programs for certain demographic groups such as college students and low income residents, and commercial medical insurance. The following chart sets forth the total population covered by the three major government medical insurance programs for the periods indicated:



Source: Frost & Sullivan Report

The public medical insurance funding per capita in Beijing is higher than the national average, putting Beijing in a position to offer better public medical insurance benefits. The following chart sets forth Beijing's public funding per capita and the national average in 2011:



Source: Frost & Sullivan Report. The data for 2012 is not available at the time of this prospectus.

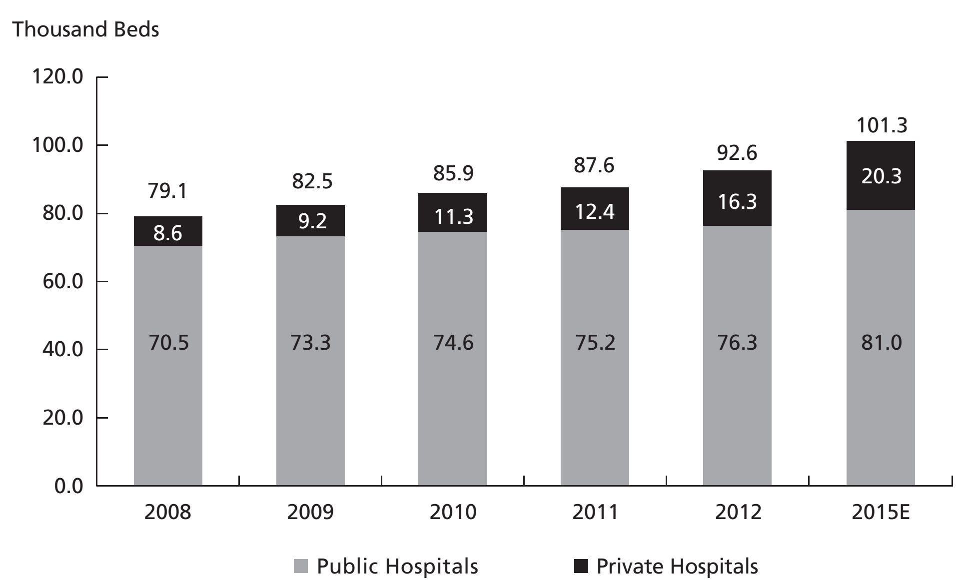
Healthcare Service Market Participants in Beijing — Provider Aspect

According to the Frost & Sullivan Report, Beijing is one of the largest healthcare market in China. Supported by a large number of middle-class residents, incoming patients from other regions, and a well-established medical insurance scheme, Beijing has the best and largest hospital infrastructure in China. There were a total of 84 Grade III hospitals and 147 Grade II hospitals in Beijing as of September 2013, more than any other city in China. The following table sets forth the number of Grade III and Grade II hospitals in Beijing by district as of September 2013:

District	Number of Grade III and Grade II hospitals	District	Number of Grade III and Grade II hospitals	District	Number of Grade III and Grade II hospitals
Haidian (海淀)	36	Xicheng (西城)	34	Chaoyang (朝陽) . . .	28
Dongcheng (東城) . .	24	Fengtai (豐台)	19	Changping (昌平) . .	15
Daxing (大興).	11	Shijingshan (石景山).	11	Tongzhou (通州) . . .	10
Shunyi (順義)	8	Fangshan (房山) . . .	8	Miyun (密雲)	6
Mentougou (門頭溝).	6	Pinggu (平谷).	5	Huairou (懷柔)	5
Yanqing (延慶)	5				

Source: Frost & Sullivan Report

In addition, the number of hospital beds in operation are expected to grow rapidly in Beijing. The following chart sets forth a breakdown of the increase in hospital beds in Beijing for the periods indicated:



Source: Frost & Sullivan Report

Moreover, according to the Frost & Sullivan Report, many top medical experts, key opinion leaders and medical universities are located in Beijing, providing a larger talent pool than other regions in China. Such experts and opinion leaders play a key role in the development of advanced medical technology, new insurance guidelines and overall healthcare policies. As the capital city of China, some of Beijing's regulatory efforts, such as measures in pharmaceutical tendering or reimbursement provisions under the three governmental insurance programs, could influence regulatory changes in other provinces and regions.

COMPETITION

The hospital and healthcare service industry in China is highly fragmented with numerous market participants. According to the Frost & Sullivan Report, there were approximately 23,170 hospitals in China in 2012, most of them are in large cities and are public hospitals. In 2012, the top three hospital groups in terms of revenue accounted for 10.6% and 1.4% of all revenue generated by the hospitals in the United States and in China, respectively, according to the Frost & Sullivan Report. Hospitals compete primarily with other hospitals in their areas of operation. Other key competitive factors include healthcare service quality, reputation, convenience and price. Public hospitals in China play a dominant role in healthcare services, but private hospitals represent a fast growing segment in China's healthcare service industry.

The Group is the largest private hospital group in China as measured by the number of beds in operation and patient visits at its in-network hospitals and clinics in 2012. The following table sets forth the number of beds, number of patient visits, and its in-network hospitals and clinics' market share in the districts of Beijing where we operate hospitals in 2012.

	Beijing		Our in-network hospitals and clinics located in the respective regions			
	Patient visits (millions)	Beds	Patient visits (millions)	% of patient visits	Beds	% of beds
Beijing	135.26	92,610	3.05	2.3%	3,194	3.4%
Xicheng District of Beijing	28.05	15,075	0.61	2.2%	399	2.6%
Fangshan District of Beijing	5.25	4,808	0.79	15.0%	663	13.8%
Mentougou District of Beijing	1.97	2,466	1.65	83.8%	2,132	86.5%

Source: Frost & Sullivan Report

The following table sets forth the number of beds in operation and patients visits at each of the top five private hospitals in Beijing in 2012.

	Patient Visits (millions)	Beds
Our in-network hospitals and clinics[1]	1.40	1,062
Amcare Women's and Children's Specialized Health (美中宜和婦兒醫院)	0.85	320
Global Care Women's and Children's Hospital (五洲婦兒醫院)	0.25	150
Beijing Sanbo Brain Hospital (三博腦科醫院)	0.17	350
Beijing United Family Hospital and Clinics (北京和睦家醫院)	0.15	120

1 Reflect the data of Jian Gong Hospital and Yan Hua Hospital Group only. Our other in-network hospitals and clinics are public hospitals.

Source: Frost & Sullivan Report

For more details on hospitals competing with our in-network hospitals in their respective regions, see "Business — Competition".

At present, competition for management rights over public hospitals among general hospital operators is not intense primarily because this industry is still in its early stages of development in China, according to the Frost & Sullivan Report.

Our business operations are subject to extensive supervision and regulation by the PRC government. This section sets out an introduction to a summary of the main laws, rules, regulations and policies to which we are subject, which have a significant impact on the following key aspects of our business:

- those relating to the reform of medical institutions affect our ability to implement our current business strategy to expand our hospital network;
- those relating to the administration and classification of medical institutions, supervision over pharmaceuticals in medical institutions, medical equipment and treatment, medical personnel, environmental protection for medical institutions, distribution of pharmaceuticals and medical devices, and labor protection regulate our day-to-day operations and affect our compliance costs;
- those relating to medical malpractice have an effect on our potential liabilities arising from day-to-day operations;
- those relating to foreign investment in China regulate the ability of our Company, as a foreign company, to conduct business in China; and
- those relating to taxation and foreign exchange matters have an impact on our results of operations and business.

For more details on how these regulations may affect our current and future businesses, see "Industry Overview — Healthcare Reform in China", "Financial Information — Factors Affecting Our Financial Condition and Results of Operations — Healthcare Reform, Price Control and Other Healthcare Policies in China" and "Risk Factors — Risk Factors Related to Our Business and Industry — Changes in China's Regulatory Regime for the Healthcare Service Industry, Particularly Changes in Public Medical Insurance Programs or Healthcare Reform Policies, Could Have a Material Adverse Effect on Our Business".

LEGAL SUPERVISION OVER THE HEALTHCARE SECTOR IN CHINA

Categories of Medical Institutions in China

Medical institutions in China can be divided into three main categories: public not-for-profit medical institutions, private not-for-profit medical institutions and private for-profit medical institutions. These categories have different registered business nature and apply different financial, tax, pricing and accounting standards. Public not-for-profit medical institutions, including those invested in by the government and military, are eligible for financial subsidies from governments, while private not-for-profit and private for-profit medical institutions are not. Both public not-for-profit and private not-for-profit medical institutions are required to charge healthcare service fees within a range stipulated by the relevant governmental price control authorities, to implement financial and accounting systems in accordance with standards promulgated by government authorities and to retain profits for their continued development. For-profit medical institutions are permitted to charge healthcare service fees in accordance with market practice, to implement financial and accounting systems in accordance with market practice for business enterprises and to distribute profits to their shareholders.

Regulations on the Reform of Medical Institutions

Opinions on Promoting Further Reform of the Healthcare System

The Opinions on Promoting Further Reform of the Healthcare System (中共中央國務院關於深化醫藥衛生體制改革的意見) (the "Opinions"), which were promulgated by the State Council on March 17, 2009, advocate a range of measures to reform medical institutions in the PRC and establish a basic healthcare system covering urban and rural residents. Measures aimed at reforming medical institutions include the separation of: (i) government agencies from public medical institutions, (ii) for-profit medical institutions from not-for-profit medical institutions, (iii) sponsorship from operations of public hospitals, and (iv) pharmaceutical dispensing from pharmaceutical prescription. The Opinions include proposals for the establishment and improvement of corporate governance systems of public medical institutions, and checks and balances in decision-making, execution and supervision processes between owners and operators of public medical institutions. The Opinions also encourage private capital to invest in medical institutions (including investments by foreign investors), the development of private medical institutions and the reform of public medical institutions (including those established by state-owned enterprises) through private capital investment.

Notice on the Implementation Measures for the Reform of the Healthcare System (2009 to 2011)

The Notice on the Implementation Measures for the Reform of the Healthcare System (2009 to 2011) (國務院關於印發醫藥衛生體制改革近期重點實施方案(2009-2011年)的通知), which was promulgated by the State Council on March 18, 2009, sets out the following main tasks for the reform of the healthcare system from 2009 to 2011:

- Expansion of medical insurance coverage: the healthcare reform aims to provide universal medical insurance coverage to all urban and rural residents through the Urban Employee Basic Medical Insurance Program, the Urban Resident Basic Medical Insurance Program and the New Rural Cooperative Medical Program. As part of the reform, the PRC government has set higher reimbursement rates to the insured residents.

- Establishment of a national essential pharmaceutical system: under the Essential Drug List ("EDL"), the PRC government will catalog a list of necessary pharmaceuticals to be produced and distributed by the NHFPC. EDL aims to lower the price of these medicines for consumers by streamlining the distribution channel in the medicine supply chain and setting a ceiling price.

- Improvement of the primary healthcare service system: the PRC government plans to accelerate the construction and renovation of the primary healthcare infrastructure, especially on hospitals at county levels, rural third grade medicine and health service networks and urban community health service institutions, and transform the operating mechanism and service pattern of such institutions to enhance the quality of primary healthcare services.

- Provision of more equitable access to basic healthcare services: the healthcare reform aims to improve the access and quality of public health services and, starting from 2009, provide equally to urban and rural residents basic public health services such as disease prevention and control, maternity and child care and health education.

- Promotion of the pilot reform of public medical institutions: pilot programs have been launched to reform public medical institutions to improve their services in terms of administration, operation and supervision. The PRC government will continue to (i) explore effective ways to specify the powers and responsibilities of the owners and operators of medical institutions to improve their corporate governance, (ii) establish a new supervisory mechanism to oversee quality control and evaluation systems, and (iii) improve the information disclosure of public medical institutions. The economic compensation mechanism will also be reformed with the promotion of a policy to separate the prescription and dispensation of pharmaceuticals. In addition, provincial healthcare administrative authorities are required to steadily advance the reform of certain public hospitals into private hospitals and promote the establishment of not-for-profit hospitals with private investment. Private hospitals will be treated equally as public hospitals with respect to whether they may be approved as a designated medical institution for public medical insurance purposes, the selection of scientific research projects, the evaluation of professional titles and the access to further education programs.

Notice on Further Encouraging and Guiding Private Capital to Invest in Medical Institutions

The Notice of the State Council on Forwarding the Opinions of the NDRC, the NHFPC and other Departments on Further Encouraging and Guiding Private Capital to Invest in Medical Institutions (關於進一步鼓勵和引導社會資本舉辦醫療機構意見的通知) ("Order No.58"), which was promulgated by the General Office of the State Council on November 26, 2010, stipulates that the PRC government encourages and supports investments by private investors in medical institutions of various types. Private investors are permitted to apply to establish for-profit or not-for-profit medical institutions. Private investors are also encouraged to participate in the reform of existing public hospitals, including those established by state-owned enterprises, by converting them into not-for-public medical institutions in order to systematically reduce the proportion of public hospitals in the system. Private medical institutions with experience in the provision of healthcare services and good reputation shall be selected as participants in the restructuring of public hospitals. The restructuring of public hospitals may be carried out through pilot reform programs in hospitals established by state-owned enterprises. Private medical institutions are encouraged to modernize hospital management, establish standardized corporate governance structures, step up cost control and quality management systems, and employ professional managers to manage the hospital. Private investors are encouraged to set up hospital management companies to provide specialized services. Private medical institutions are encouraged to engage or authorize domestic or overseas medical institutions with professional experience to participate in the management of hospitals to improve their efficiencies. Medical institutions are encouraged to develop into large, sophisticated, technology-intensive medical groups and adopt brand-focused development strategies to build good reputation and image. Private medical institutions are encouraged to improve their clinical research and build their research and development teams.

Guidelines for Pilot Programs for the Reform of Public Hospitals

The Notice on the Guidelines for Pilot Programs for the Reform of Public Hospitals (關於印發公立醫院改革試點指導意見的通知), which was jointly promulgated by the NHFPC, the State Commission Office for Public Sector Reform, the NDRC, the Ministry of Finance of the PRC (中華人民共和國財政部, or the "MOF") and the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部, or the "MOHRSS") on February 21, 2010, stipulates that the PRC government encourages the reform of public hospital management, including through exploring effective methods for (i) the separation of administrative organs from public service institutions and the separation of management from operations, (ii) the clarification of powers and responsibilities of owners and operators of public hospitals, and (iii) the establishment of corporate governance structures in hospitals in order to improve the professionalism and specialization of hospital administration. The PRC government encourages, supports and gives guidance to private investors engaged in the development of healthcare services and the establishment of not-for-profit hospitals.

Implementation Measures for the Promotion of the Healthcare System in Beijing from 2010 to 2011

The Implementation Measures for the Promotion of the Healthcare System in Beijing from 2010 to 2011 (北京市2010-2011年深化醫藥衛生體制改革實施方案), which were promulgated by the Beijing government in June 2010, indicate that the Beijing government encourages public hospital reform, the establishment of corporate governance for hospitals, the clarification of ownership and management rights of public hospitals and, especially in light of the establishment and restructuring of medical institutions by private funds, private capital investment in the development of the healthcare sector.

Regulations on the Administration and Classification of Medical Institutions

Administrative Measures on Medical Institutions and the Medical Institution Practicing License

The Administrative Measures on Medical Institutions (醫療機構管理條例), which were promulgated on February 26, 1994 by the State Council and came into effect on September 1, 1994, and the Implementation Measures of the Administrative Measures on Medical Institutions (醫療機構管理條例實施細則), which were promulgated by the NHFPC on August 29, 1994 and came into effect on September 1, 1994, stipulate that the establishment of medical institutions shall comply with the relevant regional planning requirements as well as the basic standards of medical institutions. Any entity or individual that intends to establish a medical institution must follow the application approval procedures and register with the relevant healthcare administrative authorities to obtain a Medical Institution Practicing License (醫療機構執業許可證).

Administrative Measures for the Examination of Medical Institutions (For Trial Implementation)

The Administrative Measures for the Examination of Medical Institutions (For Trial Implementation) (醫療機構校驗管理辦法(試行)) (the "Administrative Measures for Examination"), which were promulgated by the NHFPC and came into effect on June 15, 2009, stipulate a medical institution's Medical Institution Practicing License is subject to periodic examinations and verifications by registration authorities, and will be cancelled if such medical institution fails to pass the examination.

The Classification of Medical Institutions

The Interim Measures for the Assessment of Hospitals (醫院評審暫行辦法), the Measures for the Assessment of Medical Institutions (醫療機構評審辦法) and the Basic Standards for Medical Institutions (醫療機櫃基本標準(試行)), which were promulgated by the NHFPC on

September 21, 2011, July 21, 1995 and September 2, 1994, respectively, stipulate that medical institutions in China are graded into three levels (Grade I, II and III) and three sub-levels (A, B, C) based on the assessment of competent authorities. The highest standard is Grade IIIA (三級甲等). Under the relevant regulations, each hospital will be assessed once every four years. The NHFPC and its Hospital Assessment Committee are responsible for conducting all hospital assessments in China.

Interim Measures for the Administration of Medical Insurance Designated Medical Institutions and the Provision of Basic Medical Insurance for Urban Employees

The Interim Measures for the Administration of Medical Insurance Designated Medical Institutions and the Provision of Basic Medical Insurance for Urban Employees (城鎮職工基本醫療保險定點醫療機構管理暫行辦法), which were jointly promulgated by MOHRSS, the NHFPC and the State Administration of Traditional Chinese Medicine (國家中藥管理局) on May 11, 1999, require medical institutions that provide healthcare services to employees in urban areas under public medical insurance policies to obtain a Qualifying Certificate as a Medical Insurance Designated Medical Institution (定點醫療機構資格證書) from the labor and social security regulatory authorities upon examination and approval of such authorities.

Regulations on the Supervision over Pharmaceuticals in Medical Institutions

Measures for the Supervision and Administration of Pharmaceuticals in Medical Institutions (for Trial Implementation)

The Measures for the Supervision and Administration of Pharmaceuticals in Medical Institutions (for Trial Implementation) (醫療機構藥品監督管理辦法(試行)), which were promulgated by the CFDA and came into effect on October 11, 2011, stipulate that medical institutions must purchase pharmaceuticals from enterprises qualified for the production or distribution of pharmaceuticals and comply with certain standards in respect of the storage, safekeeping, preparations and use of such pharmaceuticals. Pharmaceutical preparation produced by a medical institution must only be used by and for that medical institution. Medical institutions are prohibited from selling prescription pharmaceuticals to the public by such means as post, online transaction and open-shelf selection.

Administrative Measures for the Control of Radioactive Pharmaceuticals

The Administrative Measures for the Control of Radioactive Pharmaceuticals (放射性藥品管理辦法), which were promulgated by the State Council and came into effect on January 13, 1989 and revised on January 8, 2011, require medical institutions to comply with relevant national regulations and rules concerning radioisotope health protection when using radioactive pharmaceuticals. Any medical institution that wants to use radioactive pharmaceuticals must obtain a License for the Use of Radioactive Pharmaceuticals from the public security departments, the environmental protection departments and the public health departments at provincial, regional or municipal levels, as applicable. The License for the Use of Radioactive Pharmaceuticals is valid for five years and is of varying grades based on the technical skill and professional level of the radiological personnel and the equipment of the medical institution. In addition, before a medical institution holding a License for the Use of Radioactive Pharmaceuticals commences the preparation of radioactive materials for clinical use, it must submit an application to the health administration department at the provincial, regional or municipal level for approval and complete filing procedures with the NHFPC.

Regulations on the Administration of Narcotic Pharmaceuticals and Psychotropic Substances

The Regulations on the Administration of Narcotic Pharmaceuticals and Psychotropic Substances (麻醉藥品和精神藥品管理條例), which were promulgated by the State Council on August 3, 2005 and came into effect on November 1, 2005, provide that, where a medical institution needs to use any narcotic pharmaceutical or Class I psychotropic substance, it shall, upon approval by the competent public health department, obtain the Seal Card for the Purchase and Use of Narcotic Pharmaceuticals and Class I Psychotropic Substances (the "Seal Card"). If a medical institution with a Pharmaceutical Preparation Certificate for Medical Institutions (醫療機構制劑許可證) and a Seal Card needs to dispense for clinical use any narcotic pharmaceutical or psychotropic substance which is not available on the market, the preparation shall be subject to approval by the competent provincial, regional or municipal pharmaceutical regulatory department where the medical institution is located. The pharmaceutical preparations of a narcotic pharmaceutical or psychotropic substance dispensed by the medical institution may only be used in the institution itself and may not be marketed.

Laws and Regulations on Medical Equipment and Treatment by Medical Institutions

Administrative Measures on the Deployment and Use of Large Medical Equipment

The Administrative Measures on the Deployment and Use of Large Medical Equipment (大型醫用設備配置與使用管理辦法), which were jointly promulgated by the NHFPC, the NDRC and the MOF on December 31, 2004 and came into effect on March 1, 2005, provide that medical institutions that wish to purchase large medical equipment (referring to those medical equipment listed in the catalog issued by the public health administrative authorities of the State Council or those medical equipment deployed for the first time within the provincial regions with a unit price above RMB5 million) must apply to the competent public health administrative authorities and purchase the approved large medical equipment upon receipt of a License for the Deployment of Large Medical Equipment.

Administrative Measures on the Radiotherapy

The Administrative Measures on the Radiotherapy (放射診療管理規定), which were promulgated by the NHFPC on January 24, 2006 and came into effect on March 1 2006, set out the basic statutory framework for medical institutions engaged in the clinical diagnosis and treatment using radioisotopes and radiation-emitting devices. Depending on the specific radiotherapy treatment, medical institutions shall apply for and obtain the License for radiotherapy issued by the competent public health administrative authorities. During the course of radiotherapy, medical institutions shall take protective measures in accordance with the relevant laws and regulations.

Regulations on the Safety and Protection of Radioisotopes and Radiation-emitting Devices

The Regulations on the Safety and Protection of Radioisotopes and Radiation-emitting Devices (放射性同位素與射線裝置安全和防護條例), which were promulgated by the State Council on September 14, 2005 and came into effect on December 1, 2005, stipulate that any entity engaging in the production, sale or use of radioisotopes or radiation-emitting devices of different categories shall obtain a corresponding license. In addition, medical institutions using radioisotopes or radiation-emitting devices for diagnosis and treatment shall obtain a license for diagnostic and therapeutic technique with radioactive sources and medical radiation.

Regulations on the Safety Management of Oxygen Chambers for Medical Usage

The Regulations on the Safety Management of Oxygen Tanks for Medical Usage (醫用氧艙安全管理規定), which were jointly promulgated by the State Bureau of Quality and Technical Supervision (which was subsequently reorganized into the General Administration of Quality Supervision, Inspection and Quarantine (中華人民共和國國家質量監督檢驗檢疫總局, or the "AQSIQ") and the NHFPC on September 18, 1999 and came into effect on January 1, 2000, stipulate that medical institutions with a Medical Institutions Practicing License are permitted to use oxygen tanks for medical purposes, such as air compression chambers, oxygen tanks and the multi-functional loading pressure cabins for hyperbaric oxygenation. Before the purchase of an oxygen chamber, medical institutions must apply to the competent public health administrative authority where the medical institution is located and obtain an Approval for the Installation of Oxygen Chamber for Medical Usage from the provincial public health administrative. Before the oxygen chamber is brought into operation, the medical institution should register with the local AQSIQ branch where the medical institution is located and obtain a License for the Use of an Oxygen Chamber for Medical Usage. Medical institutions are also required to arrange annual and triennial examinations in accordance with the relevant regulations and rules.

Law on Maternal and Infant Healthcare and Its Implementation Measures

The Law of the People's Republic of China on Maternal and Infant Healthcare (中華人民共和國母嬰保健法), which was promulgated by the Standing Committee of the NPC on October 27, 1994 and came into effect on June 1, 1995, and the Implementation Measures of the Law of the People's Republic of China on Maternal and Infant Health Care, which were promulgated by the State Council on June 20, 2001 and came into effect on the same day, stipulate that medical institutions engaged in (i) genetic disease diagnosis and prenatal diagnosis, (ii) pre-marital medical examinations, or (iii) midwifery services, ligature operations or operations for termination of gestation, shall be licensed by the public health administrative authority of different level as stipulated to obtain the corresponding qualification certificates.

Laws and Regulations on Medical Personnel of Medical Institutions

Law on Medical Practitioners of the People's Republic of China

The Law on Medical Practitioners of the People's Republic of China (中華人民共和國執業醫師法), which was promulgated by the Standing Committee of the NPC on June 26, 1998 and came into effect on May 1, 1999, provides that doctors in China must obtain qualification licenses for their medical profession. Qualified doctors and qualified assistant doctors must register with the relevant public health administrative authorities at or above the county level. After registration, doctors may work at medical institutions in their registered location in the types of jobs and within the scope of medical treatment, disease-prevention or healthcare business as provided in their registration.

Regulations on Nurses

The Regulations on Nurses (護士條例), which were promulgated by the State Council on January 31, 2008 and came into effect on May 12, 2008, provide that a nurse must obtain a nurse's Practicing Certificate, which is valid for five years. The number of nurses on staff at a medical institution shall not be less than the standard number as prescribed by the competent public health administrative authorities.

Laws and Regulations on Medical Malpractice

Tort Liability Law of the People's Republic of China

The Tort Liability Law of the People's Republic of China (中華人民共和國侵權責任法), which was promulgated by the Standing Committee of the NPC on December 26, 2009 and came into effect on July 1, 2010, provides that, if a medical institution or its medical personnel are at fault for damage inflicted on a patient during the course of diagnosis and treatment, the medical institution will be liable for compensation. The damage caused to the patient by the failure of the medical personnel to fulfill their statutory obligations in the course of diagnosis and treatment will be paid by the medical institution. Medical institutions and their medical personnel will protect the privacy of their patients and will be liable for damage caused by divulging the patients' private or medical records without consent.

Regulations on Handling Medical Malpractice

The Regulations on Handling Medical Malpractice (醫療事故處理條例), which were promulgated by the State Council on April 4, 2002 and came into effect on September 1, 2002, provide a legal framework and detailed provisions regarding the prevention, identification, disposition, compensation and penalties of or relating to cases involving personal injury to patients caused by medical institutions or medical personnel due to malpractice.

Regulations on Environmental Protection related to Medical Institutions

Administrative Measures on Urban Drainage License

The Administrative Measures on Licensing of Urban Drainage (城市排水許可管理辦法), which were promulgated by the Ministry of Construction (which was subsequently reorganized to the Ministry of Housing and Urban-rural Development) on December 25, 2006 and came into effect on March 1, 2007, provide that enterprises discharging sewage into the urban drainage network and its ancillary facilities must apply for and obtain a License for Urban Drainage.

Regulations on the Management of Medical Waste and its implementation measures

The Regulations on the Management of Medical Waste (醫療廢物管理條例), which were promulgated by the State Council on June 16, 2003 and came into effect on the same day, and the Implementation Measures of the Management of Medical Waste (醫療衛生機構醫療廢物管理辦法), which were promulgated by the NHFPC on October 15, 2003 and came into effect on the same day, stipulate that medical institutions must timely deliver medical waste to a specially designated location for centralized disposal of medical waste and categorize the medical waste in accordance with the Classified Catalog of Medical Waste. High-risk waste such as the culture medium or specimens of pathogens and the preserving liquid of bacteria strains or virus strains must be sterilized on the spot before disposal. Sewage generated by any medical institution and excretion of its patients or patients suspected of infectious diseases must be sterilized in accordance with the relevant laws, rules and regulations, and must not be discharged into sewage until the relevant standards are met.

Laws and Regulations on Pharmaceutical Distribution

Pharmaceutical Administration Law of the People's Republic of China and its Implementation Regulations

The Pharmaceutical Administration Law of the People's Republic of China (中華人民共和國藥品管理法) (the "Pharmaceutical Administration Law"), which was promulgated by the Standing Committee of the NPC on September 20, 1984, revised on February 28, 2001 and came into effect on December 1, 2001, sets forth the regulatory framework governing pharmaceutical manufacturers, pharmaceutical distributors, pharmacies in medical institutions, and the packaging, pricing advertising and the inspection of pharmaceuticals. The Pharmaceutical Administration Law also provides specific regulations on the relevant licenses and approvals required for pharmaceutical manufacturing and related operating activities.

The Regulations for the Implementation of the Pharmaceutical Administration Law of the People's Republic of China (中華人民共和國藥品管理法實施條例) (the "Regulations for the Implementation of the Pharmaceutical Administration Law"), which were promulgated by the State Council on August 4, 2002 and came into effect on September 15, 2002, provide detailed implementing measures of the Pharmaceutical Administration Law.

Pursuant to the Pharmaceutical Administration Law and the Regulations for the Implementation of the Pharmaceutical Administration Law, the establishment of enterprises engaged in the pharmaceutical wholesale or retail business requires the approval of the relevant pharmaceutical regulatory departments, and such enterprises are required to obtain a Pharmaceutical Distribution Certificate (藥品經營許可證). The term of validity of a Pharmaceutical Distribution Certificate is five years. Pharmaceutical distributors must keep authentic and complete records of the procurement and sales of pharmaceuticals. Medical institutions are subject to the examination and permission of the competent public health authorities in the dispensing of pharmaceutical preparations and must obtain the Pharmaceutical Preparation Certificate for Medical Institutions (醫療機構制劑許可證) issued by the relevant pharmaceutical regulatory authorities. The term of validity of the Pharmaceutical Preparation Certificate for Medical Institutions is five years. The pharmaceutical preparations shall not be marketed in any form, and the advertisement of such pharmaceutical preparations shall not be released.

Administrative Measures on Pharmaceutical Distribution Certificates

The Administrative Measures on Pharmaceutical Distribution Certificates (藥品經營許可證管理辦法), which were promulgated on February 4, 2004 and came into effect on April 1, 2004 by the CFDA, set out the application requirements and procedures, the changes and renewal of and the supervision and inspection over Pharmaceutical Distribution Certificates. The CFDA and its local branches are responsible for the approval and issuance of the Pharmaceutical Distribution Certificates and the supervision over both Pharmaceutical Distribution Certificates and pharmaceutical distribution enterprises.

Guidelines on Good Supply Practices for Pharmaceutical Products and the Administrative Measures for Certification thereof

The Guidelines on Good Supply Practices for Pharmaceutical Products (藥品經營質量管理規範), which were promulgated by the NHFPC on January 22, 2013 and came into effect on June 1, 2013, and the Administrative Measures for the Certification of the Good Supply Practice for Pharmaceutical Products (藥品經營質量管理規範認證管理辦法), which were promulgated by the CFDA on April 24, 2003, provide that each retail or wholesale operator of pharmaceutical products must conduct business in accordance with the Good Supply Practices for Pharmaceutical Products, which comprise a set of quality guidelines for operations related to pharmaceutical products, and obtain the Good Supply Practices for Pharmaceutical Products Certificate (the "GSP Certificate") which is valid for five years and may be extended three months prior to its expiration upon a re-examination by the relevant authority.

Administrative Measures on the Supervision of the Distribution of Pharmaceutical Products

The Administrative Measures on the Supervision of the Distribution of Pharmaceutical Products (藥品流通監督管理辦法), which were promulgated by the CFDA on January 31, 2007 and came into effect on May 1, 2007, govern the procurement and sales of pharmaceutical products by pharmaceutical manufacturers and distribution enterprises as well as the procurement and storage of pharmaceutical products by medical institutions.

Regulations on Prescription Pharmaceuticals and Non-prescription Pharmaceuticals

The Measures for the Classification and Administration of Prescription Pharmaceuticals and Non-prescription Pharmaceuticals (For Trial Implementation) (處方藥與非處方藥分類管理辦法(試行)), which were promulgated by the CFDA on June 18, 1999 and came into effect on January 1, 2000, set forth the basic system for the classification and administration of prescription pharmaceuticals and non-prescription pharmaceuticals. Enterprises engaging in the wholesale distribution of prescription and non-prescription pharmaceuticals should obtain a Pharmaceutical Distribution Certificate.

The Interim Measures on the Distribution of Prescription Pharmaceuticals and Non-prescription Pharmaceuticals (處方藥與非處方藥流通管理暫行規定), which were promulgated by the CFDA on December 28, 1999 and came into effect on January 1, 2000, set forth further rules for the administration of the distribution of prescription and non-prescription pharmaceuticals.

Regulations on Centralized Pharmaceutical Procurement by Medical Institutions

The Opinions on Further Regulating Centralized Pharmaceutical Procurement by Medical Institutions (進一步規範醫療機構藥品集中採購工作的意見) and the Interpretations of Issues Related to the Opinions on Further Regulating Centralized Pharmaceutical Procurement by Medical Institutions (關於進一步規範醫療機構藥品集中採購工作的意見有關問題的說明), which were jointly promulgated by the NHFPC and other six departments on January 17, 2009 and June 19, 2009, respectively, as well as the Standards of Centralized Pharmaceutical Procurement Work for Medical Institutions (醫療機構藥品集中採購工作規範) jointly promulgated by the NHFPC and other six departments on July 7, 2010, stipulate that the general framework and detailed operational procedures with respect to the centralized pharmaceutical procurement mechanism under which not-for-profit medical institutions established by governments or state-owned enterprises are required to procure pharmaceuticals through the not-for-profit centralized pharmaceutical procurement platform organized by the competent governmental authorities. Medical institutions of other forms, such as for-profit medical institutions, are also encouraged to participate in the centralized pharmaceutical procurement system. All pharmaceuticals used by medical institutions are required to be listed in the catalog of centralized pharmaceutical procurement with the exception of (i) narcotic pharmaceuticals and Class I psychotropic pharmaceuticals, (ii) certain pharmaceuticals under the state's special control such as Class II psychotropic pharmaceuticals, toxic pharmaceuticals for medical uses and radioactive pharmaceuticals, and (iii) Chinese herbs and ready-for-use Chinese herbs. The price generated by the centralized procurement activities of provinces, autonomous regions and municipalities directly under the central government shall be the supply price for pharmaceutical products supplied by pharmaceutical enterprises to all the medical institutions under the centralized pharmaceutical procurement mechanism and medical institutions shall apply the retail price of the pharmaceuticals as determined by the competent pricing control authority. Pharmaceutical manufacturers shall directly participate in the bidding activities during centralized pharmaceutical procurement. Delivery expenses for the bid-winning pharmaceuticals must also be included in the bid price. Bid-winning manufacturers are responsible for product delivery. They may choose to deliver the products either by themselves or through other qualified medical enterprises. If the commissioned enterprise fails to fulfill the delivery task and another medical enterprise needs to be commissioned, the bid-winning manufacturer shall lodge an application for review and approval by the competent provincial department of the medical procurement leading group, but the procurement prices of the bid-winning pharmaceuticals may not be increased under such circumstances.

Pursuant to the Opinions on Further Regulating the Price of Pharmaceuticals and Healthcare Services (關於進一步整頓藥品和醫療服務市場價格秩序的意見), which were jointly promulgated by the NDRC and other departments on May 19, 2006, the profit margin of the pharmaceuticals subject to government pricing sold by medical institutions shall not exceed 15% of the actual procurement cost of such pharmaceuticals, and the profit margin of ready-for-use Chinese herbs shall not exceed 25%.

Regulations on Medical Devices

Regulations on the Supervision and Administration of Medical Devices

The Regulations on the Supervision and Administration of Medical Devices (醫療器械監督管理條例) (the "Regulations on Medical Devices"), which were promulgated by the State Council on January 4, 2000 and came into effect on April 1, 2000, regulate the management of medical device manufactures and the supervision, distribution and use of medical devices as well as relevant legal obligations. Pursuant to the Regulations on Medical Devices, the government shall implement a product registration system for medical devices production. Enterprises to be established for marketing Class I medical devices shall file a record with the competent pharmaceutical regulatory department. Enterprises to be established for marketing Class II and/or Class III medical devices shall be examined and approved by the competent pharmaceutical regulatory department and obtain a Medical Device Marketing Enterprise License. The term of validity of a Medical Device Marketing Enterprise License is five years.

Measures on the Administration of the Medical Device Marketing Enterprise License

The Measures on the Administration of the Medical Device Marketing Enterprise License (醫療器械經營企業許可證管理辦法), which was promulgated by the CFDA on August 9, 2004 and came into effect on the same day, stipulate the specific regulations over the application requirements and procedures, change and renewal of the Medical Device Marketing Enterprise License and relevant supervision, examination and legal responsibilities. The CFAD and its local branches is responsible for the approval and issuance of the Medical Device Marketing Enterprise License and the supervision over these license holders.

Regulations on the Supervision Over the Procurement of Medical Consumables

Rules on Collective Procurement of High Value Medical Consumables

The Standardized Rules on the Collective Procurement of High Value Medical Consumables (For Trial Implementation) (高值醫用耗材集中採購工作規範(試行)), which were jointly promulgated by the MOH, the State Council Office for Correcting Illegitimate Industrial Practices (國務院糾正行業不正之風辦公室), the NDRC, the Ministry of Supervision of the PRC (中華人民共和國監察部), SAIC and the CFDA on December 17, 2012, state that high value medical consumables, such as orthopedic implants and pacemakers, may only be purchased by means of collective procurement by qualified not-for-profit medical institutions run by the government at the county-level or above or by state-owned enterprises. Such medical institutions must not purchase high value medical consumables outside the scope of medical consumables listed for collective procurement without the prior approval of relevant authorities.

Administrative Measures on Pricing of Medical Consumables

In accordance with the Administrative Measures for the Collective Procurement and Pricing of Medical Consumables in Beijing (For Trial Implementation) (北京市醫用耗材集中招標採購價格管理辦法(試行)), which was promulgated by the Beijing Price Bureau on November 6, 2002 and become effective on November 10, 2002, and the Notice on the Standardization and Cancellation of Fees for Certain Medical Consumables (關於規範和取消部分醫療服務項目收費的通知), which was promulgated by the Beijing Municipal Commission of Development and Reform and the Beijing Municipal Health Bureau on January 25, 2007 and become effective on March 1, 2007, the mark-up on the retail price of medical consumables must not exceed 10% for items priced RMB500 or less, or 5% for items priced over RMB500.

LEGAL SUPERVISION OVER FOREIGN INVESTMENT IN CHINA

Wholly Foreign-Owned Enterprise Law of the People's Republic of China and its implementation measures

The Wholly Foreign-Owned Enterprise Law of the People's Republic of China (中華人民共和國外資企業法), which was promulgated by the Standing Committee of the NPC on October 31, 2000 and came into effect on the same day, and the Implementation Measures for the Wholly Foreign-Owned Enterprise Law (中華人民共和國外資企業法實施細則), which were promulgated by the State Council on April 12, 2001 and came into effect on the same day, stipulate that foreign enterprises and other economic organizations or individuals may establish wholly foreign-owned enterprises ("WFOEs") in China. The application for the establishment of a WFOE is subject to the examination and approval by the competent commercial departments before an Approval Certificate is issued.

Interim Provisions on Investment Made by Foreign-Invested Enterprises in China

The Interim Provisions on Investment Made by Foreign-Invested Enterprises in China (關於外商投資企業境內投資的暫行規定), which were jointly promulgated by MOFCOM and the State Administration of Industry and Commerce on July 25, 2000, stipulate that the provisions of the Interim Provisions Guiding Foreign Investment Direction and the Industry Catalog for Guiding Foreign Investment will govern foreign-invested enterprises' investment in China. Foreign-invested enterprises are not permitted to invest in any sector prohibited to foreign investment. Where a foreign-invested enterprise makes investment in a restricted sector, the foreign-invested enterprise must file an application with the provincial commercial department of the place where the investee company is located. The relevant company registration authority will, in accordance with the relevant provisions of the Company Law and the Regulations on the Administration of Company Registration of the People's Republic China (中華人民共和國公司登記管理條例), decide whether to approve the registration or not. If the registration is approved, a Business License of an Enterprise Legal Person will be issued with the designation "Invested by a Foreign-Invested Enterprise" added. The foreign-invested enterprise is required to report the establishment of the investee company within 30 days of the date of its establishment to the original examination and approval authority for record-filing.

Notice on Further Encouraging and Guiding Private Capital to Invest in Medical Institutions

Pursuant to Order No. 58 (關於進一步鼓勵和引導社會資本舉辦醫療機構意見的通知), foreign investors are permitted to set up for-profit or not-for-profit medical institutions in China as foreign-invested projects. Overseas medical institutions, enterprises and other economic organizations are permitted to establish medical facilities together with domestic medical institutions, enterprises or other economic organizations in the form of equity or cooperative joint ventures, and the restrictions on equity proportion for foreign capital will be gradually removed. A pilot program will be introduced and gradually expanded to permit eligible foreign investors to set-up wholly foreign owned medical institutions.

The Industry Catalog for Guiding Foreign Investment and Interim Provisions Guiding Foreign Investment Direction

The current Industry Catalog for Guiding Foreign Investment (外商投資產業指導目錄) (the "Foreign Investment Catalog was jointly promulgated by the NDRC and MOFCOM on December 24, 2011 and came into effect on January 30, 2012, and the Interim Provisions Guiding Foreign Investment Direction (指導外商投資方向規定), which were promulgated by the State Council on February 11, 2002 and came into effect on April 1, 2002, classify all foreign investment projects into four categories: (1) encouraged projects, (2) permitted projects, (3) restricted projects, and (4) prohibited projects. If the industry in which the investment is to occur falls into the encouraged category, foreign investment, in certain cases, may enjoy preferential policies or benefits. If restricted, foreign investment may be conducted in accordance with applicable legal and regulatory restrictions. If prohibited, foreign investment of any kind is not allowed. Medical institutions and pharmaceutical wholesale industries were moved from the restricted industry category into permitted industry category with the promulgation of the Foreign Investment Catalog (2011).

LEGAL SUPERVISION OVER THE LABOR PROTECTION IN CHINA

Labor Law of the People's Republic of China

The Labor Law (中華人民共和國勞動法), which was promulgated by the Standing Committee of the NPC on July 5, 1994, came into effect on January 1, 1995, and was amended on August 27, 2009, provides that an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards. Labor safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labor protection equipment that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards. Workers engaged in special operations shall have received specialized training and obtained the pertinent qualifications. An employer must develop a vocational training system. Vocational training funds must be set aside and used in accordance with national regulations and vocational training for workers must be carried out systematically based on the actual conditions of the company.

Labor Contract Law of the People's Republic of China and its implementation regulations

The Labor Contract Law (中華人民共和國勞動合同法), which was promulgated by the Standing Committee of the NPC on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and the Implementation Regulations on Labor Contract Law (勞動合同法實施條例) which were promulgated on September 18, 2008 and came into effect on the same day, regulate employer and the employee relations and contain specific provisions involving the terms of the labor contract. Labor contracts must be made in writing and may, after reaching agreement upon due negotiations, be for a fixed-term, an un-fixed term, or conclude upon the completion of certain work assignments. An employer may legally terminate a labor contract and dismiss its employees after reaching an agreement upon due negotiations with the employee or by fulfilling the statutory conditions.

Laws and Regulations on the Supervision over the Social Security and Housing Funds

According to the Temporary Regulations on the Collection and Payment of Social Insurance Premium (社會保險費徵繳暫行條例), the Regulations on Work Injury Insurance (工傷保險條例), the Regulations on Unemployment Insurance (失業保險條例) and the Trial Measures on Employee Maternity Insurance of Enterprises (企業職工生育保險試行辦法), enterprises in China must provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and must pay or withhold relevant social insurance premiums for or on behalf of employees. The Law on Social Insurance (中華人民共和國社會保險法), which was promulgated on October 28, 2010 and came into effect on July 1, 2011, regulate basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

The Regulations on the Administration of Housing Provident Fund (住房公積金管理條例), which were promulgated and came into effective on April 3, 1999, and were amended on March 24, 2002, stipulate that housing provident fund contributions paid by an individual employee and housing provident fund contributions paid by his or her employer all belong to the individual employee.

LEGAL SUPERVISION OVER TAXATION IN CHINA

Enterprise Income Tax

According to the Enterprise Income Tax Law (中華人民共和國企業所得稅法) (the "EIT Law"), which was promulgated by the NPC on March 16, 2007 and came into effect on January 1, 2008, and the Implementation Regulations on the EIT Law (企業所得稅法實施條例), which were promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008, a uniform income tax rate of 25% will be applied to domestic enterprises, foreign-invested enterprises and foreign enterprises that have established production and operation facilities in China. These enterprises are classified as either resident enterprises or non-resident enterprises.

Resident enterprises refer to enterprises that are established in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises refer to enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but who (whether or not through the establishment of institutions in the PRC) derive income from the PRC. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not established institutions in the PRC, or if they have established institutions in the PRC but there is no actual relationship between the relevant income derived in the PRC and the institutions set up by them, enterprise income tax is set at the rate of 10%.

Withholding Tax and International Tax Treaties

According to the Treaty on the Avoidance of Double Taxation and Tax Evasion between Mainland and Hong Kong (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the "Tax Treaty"), if the non-PRC parent company of a PRC enterprise is a Hong Kong resident which beneficially owns a 25% or more interest in the PRC enterprise, the 10% withholding tax rate applicable under the EIT Law may be lowered to 5% for dividends and 7% for interest payments once approvals have been obtained from the relevant tax authorities. The determination of beneficial ownership is clarified under the Notice on Understanding and Determining Beneficial Owners (國家稅務總局關於如何理解和認定稅收協定中「受益所有人」的通知) issued by the SAT on October 27, 2009, which expressly excludes from the definition of a beneficial owner any company not engaged in actual operations such as manufacturing, sales or management but that is established for the purpose of avoiding or reducing tax obligations or transferring or accumulating profits.

Pursuant to the Notice on the Several Issues of the Implementation of Tax Treaty (國家稅務總局關於執行稅收協定股息條款有關問題的通知), which was promulgated by the SAT and came into effect on February 20, 2009, the non-resident taxpayer or the withholding agent is required to obtain and keep sufficient documentary evidence proving that the recipient of the dividends meets the relevant requirements for enjoying a lower withholding tax rate under a tax treaty if the main purpose of an offshore transaction or arrangement is to obtain a preferential tax treatment.

Pursuant to the Trial Administrative Measures on Non-residents to Enjoy the Treatment Under Tax Treaties (非居民享受稅收協議待遇管理辦法(試行)的通知), which were promulgated by the SAT on August 24, 2009 and came into effect on October 1, 2009, and the Supplemental Notice on Several Issues of the Trail Administrative Measures on Non-residents to Enjoy the Treatment Under Tax Treaties (關於「非居民享受稅收協定待遇管理辦法(試行)」有關問題的補充通知), which was promulgated by on June 21, 2010, a non-resident enterprise subject to taxation is required to obtain approval from the relevant tax administration department before it may enjoy a tax reduction or exemption under the dividend provision of a tax treaty.

Business Tax

The Temporary Regulations on Business Tax (營業稅暫行條例), which were promulgated by the State Council on December 13, 1993, became effective on January 1, 1994, and amended on November 10, 2008 and came into effect on January 1, 2009, provide that entities and individuals must pay business tax if they are engaged in the provision of services with respect to the industries of transportation, construction, finance and insurance, post and telecommunication, culture and sports, entertainments and service prescribed in Temporary Regulations on Business Tax, or transfer of intangible assets or sale of real estate within China's territory. Healthcare services provided by hospitals, clinics and other medical institutions are exempt from business tax.

Value-added Tax

The Temporary Regulations on Value-added Tax (增值稅暫行條例), which were promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and amended on November 10, 2008, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax (增值稅暫行條例實施細則), which were promulgated by the MOF and became effective on December 25, 1993, and were amended on December 15, 2008 and October 28, 2011, set out that all taxpayers selling goods or providing processing, repairing or replacement services and importing goods in China shall pay a value-added tax. A tax rate of 17% shall be levied on general taxpayers selling or importing various goods and on taxpayers providing processing, repairing or replacement service; the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

Furthermore, according to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (營業稅改徵增值稅試點方案), which were promulgated by the MOF and the SAT, the government launched gradual taxation reforms starting from January 1, 2012, whereby it collected value-added tax in lieu of business tax on a trial basis in regions and industries showing strong economic performance, such as transportation and certain modern service industries.

LEGAL SUPERVISION OVER FOREIGN EXCHANGE IN CHINA

The Regulations on the Control of Foreign Exchange (外匯管理條例), which were promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996, and amended on January 14, 1997 and August 5, 2008, set out that foreign exchange receipts of domestic institutions or individuals may be transferred to China or deposited abroad and that SAFE shall specify the conditions for transfer to China or overseas and other requirements in accordance with the international receipts, payments status and requirements of foreign exchange control. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange. Domestic institutions or individuals that make direct investments abroad or are engaged in the distribution or sale of valuable securities or derivative products overseas should register according to SAFE regulations. Such institutions or individuals subject to prior approval or record-filing with other competent authorities shall complete the required approval or record-filing prior to foreign exchange registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

The Regulations on the Administration of the Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定), which were promulgated by the PBOC on June 20, 1996 and came into effect on July 1, 1996, provide that foreign exchange receipts under the current account of foreign-invested enterprises may be retained to the fullest extent specified by the foreign exchange bureau. Any portion in excess of such amount shall be sold to a designated foreign exchange bank or through a foreign exchange swap center.

OUR HISTORY

History of Beijing Phoenix

The history of our Group could be traced back to the incorporation of our primary operating subsidiary, Beijing Phoenix. In November 2007, Ms. Xu Jie, our founder and a Controlling Shareholder, and Ms. Xu Xiaojie, a Controlling Shareholder, established Beijing Phoenix through two companies, Beijing Wantong and Beijing Weike. Beijing Phoenix was established as a joint-stock company with an initial registered capital of RMB45.0 million, of which Beijing Wantong and Beijing Weike contributed RMB31.8 million and RMB13.2 million in cash on November 1, 2007, respectively.

Ms. Xu Jie, our founder, started her career as an orthopaedist at Jilin Central Hospital (吉林市中心醫院) between 1985 and 1988. Having gained some experience in operations of a hospital, Ms. Xu acquired Traumatic Hospital of Jilin (吉林市創傷醫院), a not-for-profit Grade II general hospital in Jilin, in 1988, using her own savings and family savings, and served as the legal representative and administrator of the Traumatic Hospital of Jilin from 1988 to 1995. Thereafter, she made investments in several hospitals, including Dalian New Century Hospital (大連新世紀醫院) and Wuxi New District Hospital (無錫新區醫院). Between 2005 to 2006, Ms. Xu disposed of some of her hospital investments, including the aforementioned two hospitals, and has not been a director, senior management or consultant of any of such hospitals since then. Ms. Xu contributed the initial registered capital of Beijing Phoenix in the amount of RMB45.0 million in November 2007, using her own financial resources. For more information about Ms. Xu Jie, see "Directors and Senior Management — Directors — Executive Directors".

In December 2007, in order to fund the expansion of our business, Beijing Wantong subscribed for shares in Beijing Phoenix at a price of RMB1.0 per share, increasing Beijing Phoenix's registered capital from RMB45.0 million to RMB72.0 million. The increased registered capital was contributed in full on December 4, 2007 and Beijing SAIC issued the updated business license to Beijing Phoenix reflecting the increased registered capital on the same date. In January 2008, in order to fund the further expansion of our business, a total of 78 individuals subscribed for shares in Beijing Phoenix at a price of RMB1.5 per share, increasing Beijing Phoenix's registered capital from RMB72.0 million to RMB99.6 million. On January 7, 2008, Beijing SAIC issued the updated business license to Beijing Phoenix reflecting the capital increase and full contribution of the increased registered capital, and completed the registration of the new shareholding structure of Beijing Phoenix. Immediately after such capital increases, 59.04% of the equity interest of Beijing Phoenix were held by Beijing Wantong, 13.25% by Beijing Weike and 27.71% by a total of 78 individual shareholders, most of whom were employees of Beijing Phoenix and Yan Hua Hospital at that time, including our CEO, Mr. Liang Hongze and CFO, Mr. Jiang Tianfan. In January 2010, certain individual shareholders transferred their shares in Beijing Phoenix to Beijing Wantong in various transactions based on arm's length negotiations. All of these share transfers were registered with Beijing SAIC and the considerations were paid in full by the relevant parties in due course. As a result, as of January 15, 2010, Beijing Wantong held 78.26%, Beijing Weike held 3.87% and 15 individual shareholders held 17.87% of the equity interest of Beijing Phoenix.

In January 2010, Beijing Wantong transferred a total of 23 million shares of Beijing Phoenix to four Independent Third Parties at a price of RMB3 per share, consisting of 1.2 million shares to Shenzhen Tiantu for a consideration of RMB3.6 million, 12.7 million shares to Tiantu Xingrui for a consideration of RMB38.1 million, 4.8 million shares to Wuhan

Hengjiantong for a consideration of RMB14.4 million and 4.3 million shares to Beijing Dayao for a consideration of RMB12.9 million. Shenzhen Tiantu and Tiantu Xingrui are two private equity funds managed by Tiantu Partners. Tiantu Partners is a private equity fund manager and an Independent Third Party of our Group. Wuhan Hengjiantong is a limited liability company incorporated in the PRC and is an Independent Third Party. Beijing Dayao is a limited liability company incorporated in the PRC by an individual shareholder and is an Independent Third Party. The considerations of the share transfers were determined by the relevant parties based on arm's length negotiations and were paid in full by Shenzhen Tiantu, Tiantu Xingrui, Wuhan Hengjiantong and Beijing Dayao as of February 26, 2010. On January 22, 2010, Beijing SAIC completed the registration of these share transfers and the new shareholding structure of Beijing Phoenix. Immediately after the completion of these share transfers, Beijing Wantong held 55.17%, Beijing Weike held 3.87%, four Independent Third Party investors held 23.09% and 15 individual shareholders held 17.87% of the equity interest of Beijing Phoenix.

In May 2010, in order to fund our expansion and repay certain debts, the registered capital of Beijing Phoenix was increased from RMB99.6 million to RMB130.6 million through the issuance of a total of 31.0 million new shares at a price of RMB4.0 per share to Shenzhen Tiantu, Tiantu Xingrui, Wuhan Hengjiantong, Tianjin Tiantu and Shenzhen Tiantu Investment. Tianjin Tiantu and Shenzhen Tiantu Investment are also private equity funds managed by Tiantu Partners. The issue price was determined by the relevant parties based on arm's length negotiations and was paid in full by Shenzhen Tiantu, Tiantu Xingrui, Wuhan Hengjiantong, Tianjin Tiantu and Shenzhen Tiantu Investment as of May 6, 2010. On May 12, 2010, Beijing SAIC issued the updated business license to Beijing Phoenix reflecting the capital increase and the full contribution of the increased registered capital, and completed the registration of the new shareholding structure of Beijing Phoenix. Immediately after the completion of the capital increase, Beijing Wantong held 42.08%, Beijing Weike held 2.95%, Tiantu Funds (consisting of Shenzhen Tiantu, Tiantu Xingrui, Tianjin Tiantu and Shenzhen Tiantu Investment) held 27.94%, Wuhan Hengjiantong held 10.11%, Beijing Dayao held 3.29% and 15 individual shareholders held 13.63% of the equity interest of Beijing Phoenix.

In May 2011, to fund our further expansion and increase our working capital, Beijing Phoenix issued a total of 10 million new shares to Beijing Zhongjin and Beijing Rongzhi, two Independent Third Parties, for a total consideration of RMB60.0 million, or RMB6.0 per share, and increased its registered capital from RMB130.6 million to RMB140.6 million. The issuance price was determined by the relevant parties based on arm's length negotiations and was paid in full by Beijing Zhongjin and Beijing Rongzhi as of May 12, 2011. On the same date, Beijing SAIC issued the updated business license to Beijing Phoenix reflecting the capital increase and the full contribution of the increased registered capital, and completed the registration of the new shareholding structure of Beijing Phoenix. Immediately after the capital increase, Beijing Zhongjin held 4.98%, Beijing Rongzhi held 2.49%, Beijing Wantong held 39.66%, Beijing Weike held 1.99%, Tiantu Funds (consisting of Shenzhen Tiantu, Tiantu Xingrui, Tianjin Tiantu and Shenzhen Tiantu Investment) held 25.95%, Beijing Tianjian held 9.39%, Beijing Dayao held 3.06% and 16 individual shareholders held 12.48% of the equity interest of Beijing Phoenix.

In December 2011, to obtain funding for a potential hospital IOT agreement in Beijing, Beijing Phoenix issued a total of 25.0 million new shares to four Independent Third Parties for a total consideration of RMB200.0 million, or RMB8.0 per share, thereby increasing Beijing Phoenix's registered capital from RMB140.6 million to RMB165.6 million. The issuance price was determined based on arm's length negotiations and was paid in full by the four Independent Third Parties as of December 7, 2011. This capital increase was duly registered with Beijing SAIC on December 8, 2011. In March 2012, Beijing Phoenix decided not to pursue this particular hospital IOT arrangement, and repurchased all the 25.0 million shares held by these four Independent Third Parties at the original issuance price. Beijing Phoenix paid the consideration for the share repurchase in full on March 5, 2012. According to the updated business license issued by Beijing SAIC to Beijing Phoenix on March 22, 2012, Beijing Phoenix's registered capital was decreased to RMB140.6 million.

Between May 2011 to March 2013, the shareholders of Beijing Phoenix conducted a series of equity transfers among themselves in respect of their respective equity interest in Beijing Phoenix. In particular, between January to March 2013, Beijing Zhongjin, Beijing Rongzhi and two individual shareholders of Beijing Phoenix (collectively, the "Exiting Shareholders") desired to exit from Beijing Phoenix. Beijing Nuopu, an Independent Third Party, desired to acquire the shares of Beijing Phoenix from the Exiting Shareholders, but did not have sufficient funding resources for the acquisition. In order to consolidate shareholding and facilitate the Reorganization, in January and March 2013, Beijing Phoenix's board of directors and shareholders passed resolutions to advance loans in an aggregate amount of RMB92.0 million to Beijing Wantong, which in turn on-lent the loans to Beijing Nuopu for its proposed acquisition. On March 8, 2013, Beijing SAIC issued updated business license to Beijing Phoenix and completed the registration of the new shareholding structure of Beijing Phoenix. Immediately after the share transfers, Beijing Nuopu held 8.75%, Beijing Wantong held 40.58%, Tiantu Funds held 25.95%, Beijing Tianjian held 9.39%, Beijing Dayao held 3.06% and 16 individual shareholders in aggregate held 12.27% of the equity interest of Beijing Phoenix. On September 3, 2013, Beijing Wantong repaid the loans in the full amount of RMB92.0 million to Beijing Phoenix.

On April 1, 2013, the Tiantu Funds transferred their respective equity interest in Beijing Phoenix to Ms. Liu Xing (劉星), the spouse of Mr. Zhu Zhiwei, for a consideration of RMB129.6 million, or RMB3.55 per share. The consideration for the equity transfers was paid in full by Ms. Liu Xing on June 21, 2013. On April 1, 2013, Beijing SAIC completed the registration of the new shareholding structure of Beijing Phoenix. Immediately after these transfers, Beijing Wantong held 40.58%, Beijing Dayao held 3.06%, Beijing Tianjian held 9.39%, Beijing Nuopu held 8.75%, Ms. Liu Xing held 25.95% and 16 other individual shareholders (certain individual shareholders who held equity interest in Beijing Phoenix as of May 2011 subsequently transferred their respective equity interest to other individuals in the period between May 2011 and March 2013) held 12.27% of the equity interest of Beijing Phoenix. On March 8, 2013, Beijing Phoenix was converted from a joint-stock company into a limited liability company. For more details on Beijing Phoenix's corporate conversion and our Reorganizations, see "— The Reorganization".

Beijing Phoenix engages in the management and operation of IOT hospitals and clinics, and holds the equity interest of all five of our PRC operating subsidiaries, which are Jian Gong Hospital, Beijing Wanrong, Beijing Jiayi, Beijing Easylife and Easylife Technology and Trade. For more details of business activities of our PRC operating subsidiaries, see "Business — Our Business Model".

The following table sets forth the key milestones of Beijing Phoenix's corporate development:

	Key Milestones and Achievements
December 2007	Beijing Phoenix acquired 66.00% of the equity interest in Jian Gong Hospital, which was the first reformed public hospital in Beijing
December 2007	Beijing Phoenix acquired Beijing Jiayi to operate our supply chain business in respect of medical devices and medical consumables
February 2008	Beijing Phoenix obtained the rights to manage and operate Yan Hua Hospital Group under an IOT agreement. Under our management, Yan Hua Hospital became the first reformed Grade III public hospital in Beijing
April 2008	Beijing Phoenix acquired Beijing Wanrong to operate our supply chain business in respect of pharmaceuticals
April 2008	Beijing Phoenix acquired Beijing Easylife to provide premium healthcare services at Jian Gong Hospital
July 2010	Beijing Phoenix began to manage and operate Mentougou Hospital under an IOT agreement. Mentougou Hospital is the first government-owned hospital in Beijing that is invested in and operated by a private hospital operator
April 2011	Beijing Phoenix established Easylife Technology and Trade
May 2011	Beijing Phoenix began to manage and operate Jing Mei Hospital under an IOT agreement
June 2012.	Beijing Phoenix began to manage and operate Mentougou Traditional Chinese Medicine Hospital under an IOT agreement

Acquisition of Jian Gong Hospital

Reform of Jian Gong Hospital

Beijing Construction Engineering Group established Jian Gong Hospital as a not-for-profit public hospital in 1953 to provide healthcare services for its employees. Following negotiations between Beijing Construction Engineering Group and Ms. Xu Jie in 2000, Beijing Construction Engineering Group reformed Jian Gong Hospital from a public institution (事業單位) into a limited liability company. In connection with the reform of Jian Gong Hospital, Dalian New Century Hospital, an entity then wholly owned by Ms. Xu Jie, entered into separate cooperation agreements with Liaoning Machinery on June 5, 2000 and September 7, 2000, respectively. Pursuant to the cooperation agreements, Dalian New Century Hospital agreed to fund Liaoning Machinery's acquisition of 66.00% of the equity interest of Jian Gong Hospital but Dalian New Century Hospital would become the beneficial owner of such equity interest; and Liaoning Machinery agreed to transfer its equity interest in Jian Gong Hospital to Dalian New Century Hospital at the request of Dalian New Century

Hospital. Pursuant to the hospital reform agreement between Beijing Construction Engineering Group and Liaoning Machinery dated September 9, 2000, Liaoning Machinery contributed a total of RMB52.8 million in cash to Jian Gong Hospital in exchange for 66.00% of the equity interest in Jian Gong Hospital. The remaining 34.00% of the equity interest of Jian Gong Hospital continued to be held by Beijing Construction Engineering Group. The reform of Jian Gong Hospital was duly approved by the Beijing Municipal Health Bureau and confirmed by the Beijing Municipal Finance Bureau.

Pursuant to the cooperation agreements, Beijing Construction Engineering Group, Liaoning Machinery and Dalian New Century Hospital entered into an equity transfer agreement dated May 28, 2002. According to the equity transfer agreement, Liaoning Machinery transferred 66.00% of the equity interest it held in Jian Gong Hospital to Dalian New Century Hospital and assigned to Dalian New Century Hospital all relevant rights and obligations under the hospital reform agreement dated September 9, 2000. The equity interest were assigned at no consideration because Liaoning Machinery's cash contribution to Jian Gong Hospital in 2000 was funded by Dalian New Century Hospital. On May 12, 2003, Jian Gong Hospital obtained a business license as a limited liability company and was successfully converted into a for-profit limited liability company. After Jian Gong Hospital became a for-profit limited liability hospital, Ms. Xu Jie (through Dalian New Century Hospital) and Beijing Construction Engineering Group held 66.00% and 34.00%, respectively, of the equity interest of Jian Gong Hospital, which had a registered capital of RMB80.0 million.

As advised by our PRC legal adviser, the cooperation agreements and the equity transfer agreement between Liaoning Machinery and Dalian New Century Hospital are valid, legally binding and enforceable, and are not in violation of any PRC laws, rules or regulations; and the incorporation of Jian Gong Hospital as a limited liability company in 2003 is legal and valid in accordance with PRC law.

Acquisition of Jian Gong Hospital by Our Group

In July 2004, Dalian New Century Hospital transferred 66.00% of the equity interest of Jian Gong Hospital to Beijing Juxin Wantong. Dalian New Century Hospital was wholly owned by Ms. Xu Jie and Beijing Juxin Wantong was wholly controlled by Ms. Xu Jie and Ms. Xu Xiaojie, our Controlling Shareholders, at that time. On July 9, 2004, pursuant to an equity transfer agreement dated June 18, 2007 and an equity trust agreement dated June 29, 2007, Beijing Juxin Wantong, as settlor and beneficiary, and CITIC Trust, as trustee, entered into a trust arrangement with respect to 56.00% of the equity interest of Jian Gong Hospital then held by Beijing Juxin Wantong, under which CITIC Trust would hold the 56.00% of the equity interest of Jian Gong Hospital on trust of Beijing Juxin Wantong. To effect the trust arrangement, on July 13, 2007, Beijing Juxin Wantong transferred 56.00% of the equity interest in Jian Gong Hospital to CITIC Trust for no consideration. Following such equity transfer and trust arrangement, CITIC Trust, Beijing Juxin Wantong and Beijing Construction Engineering Group owned 56.00%, 10.00% and 34.00% of the equity interest of Jian Gong Hospital, respectively.

In December 2007, as instructed by Beijing Juxin Wantong, CITIC Trust transferred 56.00% of the equity interest of Jian Gong Hospital to Beijing Phoenix, thus terminating the trust arrangement between Beijing Juxin Wantong and CITIC Trust. Beijing Phoenix further acquired the remaining 10.00% of the equity interest of Jian Gong Hospital from Beijing Juxin Wantong. The consideration for the total 66.00% of the equity interest was RMB25.9

million, which was based on the then net assets of Jian Gong Hospital and was paid in full by Beijing Phoenix to Beijing Juxin Wantong on December 25, 2007. Beijing Phoenix paid the consideration out of its registered capital that was funded by Ms. Xu Jie. On December 12, 2007, Beijing SAIC completed the registration of the new shareholding structure of Jian Gong Hospital. As a result, Beijing Phoenix and Beijing Construction Engineering Group held 66.00% and 34.00%, respectively, of the equity interest of Jian Gong Hospital.

In January 2009, Beijing Phoenix contributed a total of RMB20.0 million in cash into the registered capital of Jian Gong Hospital and, as a result, Jian Gong Hospital's registered capital was increased from RMB80.0 million to RMB100.0 million. On January 5, 2009, Beijing SAIC issued the updated business license to Jian Gong Hospital reflecting the capital increase and the full payment of the increased registered capital. In May 2011, Jian Gong Hospital's registered capital was further increased from RMB100.0 million to RMB420.6 million, of which RMB150.0 million was contributed by Beijing Phoenix in cash on May 18, 2011, and RMB170.6 million was contributed by Beijing Construction Engineering Group in the form of land use rights of the premise of Jian Gong Hospital. The land use rights contributed by Beijing Construction Engineering Group was evaluated by an independent professional property valuer on November 29, 2010. On May 18, 2011, Beijing SAIC issued the updated business license to Jian Gong Hospital reflecting the capital increase and the full payment of the increased registered capital, and completed the registration of the new shareholding structure of Jian Gong Hospital. As a result, Beijing Phoenix and Beijing Construction Engineering Group held 52.98% and 47.02%, respectively, of the equity interest of Jian Gong Hospital.

Pursuant to an equity transfer agreement dated June 27, 2012 (as amended), Beijing Phoenix acquired 27.02% equity interest in Jian Gong Hospital from Beijing Construction Engineering Group for a total consideration of RMB128.9 million. This acquisition was conducted in accordance with relevant PRC regulations relating to the sales of state-owned assets, including the assets valuation, auction process and the relevant approvals from the State-owned Assets Supervision and Administration Commission of Beijing. The consideration of the equity transfer was paid in full by Beijing Phoenix as of November 6, 2012. On July 10, 2012, Beijing SAIC completed the registration of the equity transfer and the new shareholding structure of Jian Gong Hospital. Immediately after such equity transfer, Beijing Phoenix and Beijing Construction Engineering Group held 80.00% and 20.00%, respectively, of the equity interest of Jian Gong Hospital.

As of the Latest Practicable Date, Beijing Phoenix held 80.00% and Beijing Construction Engineering Group held 20.00% of the equity interest of Jian Gong Hospital. For more details of these arrangements, see "— The Reorganization — Transfer and Repurchase of 10% of the Equity Interest of Jian Gong Hospital by Beijing Phoenix". For the reason stated in "Connected Transactions", Jian Gong Hospital is not our connected person.

Acquisition of Beijing Jiayi

Beijing Jiayi was established under PRC law by two senior officers of Beijing Wantong in December 2004. The initial registered capital of Beijing Jiayi was RMB4.0 million. On August 5, 2005, Beijing Wantong and our CEO, Mr. Liang Hongze, acquired 51.00% and 29.00%, respectively, of the equity interest of Beijing Jiayi for a consideration of RMB2.0 million and RMB1.2 million, respectively. Between August 2005 to September 2007, the shareholders of Beijing Jiayi conducted a series of equity transfers in respect of the equity interest of Beijing Jiayi. On December 20, 2007, Beijing Phoenix acquired 100.00% of the equity interest of Beijing Jiayi from Phoenix United Hospital Management (Beijing) Co., Ltd. (鳳凰聯盟醫院管理(北京)有限公司) and an independent individual, who were the shareholders of Beijing Jiayi at that time. The consideration for the equity transfer was RMB4.0 million, which was based on the then paid-in registered capital of Beijing Jiayi and was paid in full by Beijing Phoenix on December 25, 2007. On December 20, 2007, Beijing SAIC Xicheng Branch issued the updated business license to Beijing Jiayi and completed the registration of this equity transfer. Beijing Jiayi is primarily involved in our supply chain business in relation to medical devices and medical consumables.

Acquisition of Beijing Wanrong

Beijing Wanrong was incorporated as a limited liability company under PRC law in March 2000 by Beijing Defurui General Merchandise Supermarket Co., Ltd. (北京得福瑞百貨超市有限責任公司), Beijing Yirui Medicine Co., Ltd. (北京頤瑞藥行有限公司), and Beijing Pharmaceutical Group Co., Ltd. (北京醫藥集團有限責任公司), all of which are Independent Third Parties, with an initial registered capital of RMB3.0 million. Between March 2000 to June 2006, the shareholders of Beijing Wanrong conducted a series of equity transfers in respect of the equity interest of Beijing Wanrong. On April 9, 2008, Beijing Phoenix acquired 100.00% of the equity interest in Beijing Wanrong from three independent individuals, who were the shareholders of Beijing Wanrong at that time. The consideration for the equity transfer was RMB3.0 million, which was based on the then paid-in registered capital of Beijing Wanrong and was paid in full by Beijing Phoenix as of April 30, 2008. On April 9, 2008, Beijing SAIC Xicheng Branch issued the updated business license to Beijing Wanrong and completed the registration of this equity transfer. Beijing Wanrong is primarily involved in our supply chain business in relation to pharmaceuticals.

Acquisition of Beijing Easylife

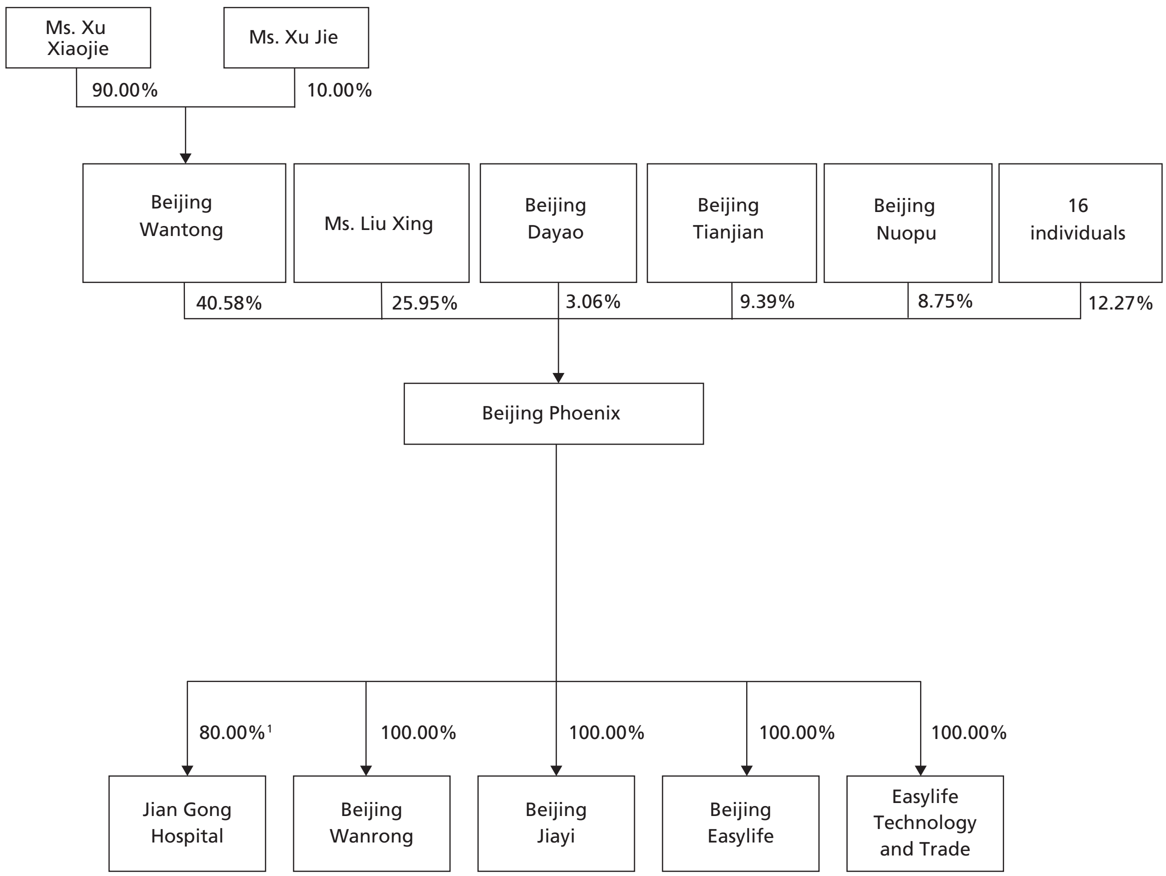
Beijing Easylife was established by Beijing Wantong as a limited liability company under PRC law on January 18, 2008 with the initial registered capital of RMB1.0 million. On April 18, 2008, Beijing Phoenix acquired 100.00% of the equity interest of Beijing Easylife from Beijing Wantong for a consideration of RMB1.0 million, which was based on the then paid-in registered capital of Beijing Easylife. The consideration was paid in full by Beijing Phoenix on December 25, 2007. On April 18, 2008, Beijing SAIC Xicheng Branch issued the updated business license to Beijing Easylife and completed the registration of this equity transfer. Beijing Easylife provides premium healthcare services to high-end patients at Jian Gong Hospital.

Establishment of Easylife Technology and Trade

Easylife Technology and Trade was incorporated by Beijing Phoenix on April 28, 2011 with a registered capital of RMB0.5 million. Beijing Phoenix made the capital contribution to Easylife Technology and Trade in full on April 21, 2011. We plan to operate ancillary hospital operations through Easylife Technology and Trade.

THE REORGANIZATION

The following diagram shows our shareholding structure prior to the commencement of our Reorganization:



1 The remaining 20.00% of the equity interest of Jian Gong Hospital was held by Beijing Construction Engineering Group, an Independent Third Party.

We undertook the restructuring described below in contemplation of the Listing.

Transfer and Repurchase of 10% of the Equity Interest of Jian Gong Hospital by Beijing Phoenix

In early 2013, we commenced our Reorganization, the first step of which involved the transfer of 30.02% of the equity interest in Beijing Phoenix to Star Target, a Hong Kong incorporated company that is indirectly wholly owned by Green Talent. Such transfer would result in the conversion of Beijing Phoenix from a PRC domestic company into a Sino-foreign joint venture company (中外合資企業). For more details regarding the transfer of 30.02% of the equity interest of Beijing Phoenix to Star Target, see "— First Round Acquisition of Beijing Phoenix".

The conversion of Beijing Phoenix from a PRC domestic company into a Sino-foreign joint venture company requires the prior approval of Beijing MOFCOM. Based on our consultation with our PRC legal adviser at the time, our PRC legal adviser was of the view that, because Beijing Phoenix owned 80.00% of the equity interest in Jian Gong Hospital (a

PRC incorporated company), Beijing MOFCOM might be of the view that the transfer of 30.02% of Beijing Phoenix to Star Target would result in Jian Gong Hospital becoming a Sino-Foreign Equity Joint Venture Medical Institutions (中外合資醫療機構) and hence might possibly be subject to the Interim Measures for the Administration of Sino-Foreign Equity or Cooperative Joint Venture Medical Institutions (中外合資、合作醫療機構管理暫行辦法) (the "Interim Measures").

The Interim Measures provide that the proportion of equity interest held by foreign parties in a Sino-foreign equity or cooperative joint venture medical institution shall be no more than 70%. Accordingly, prior to January 30, 2012, the original Industry Catalog for Guiding Foreign Investment (the "Industry Catalog") categorized medical institutions as a restricted industry for foreign investment. Following the relaxation of policy restrictions on the healthcare services industry in China, the restriction on foreign investment in medical institutions was removed in the revised Industry Catalogue issued by MOFCOM on January 30, 2012. Notwithstanding the foregoing, because Beijing MOFCOM had not yet issued any administrative policy recognizing this change in foreign investment policies, our PRC legal adviser was of the view that there might be inconsistency between PRC legal requirements and local administrative procedures on this issue. Therefore, our PRC legal adviser was of the view that, Beijing MOFCOM might not approve the transfer of 30.02% of Beijing Phoenix to Star Target if Beijing Phoenix held 80% of Jian Gong Hospital because as a result of such transfer, 80% of Jian Gong Hospital would be owned by a Sino-foreign joint venture company, which might be deemed by Beijing MOFCOM as contravening the 70% foreign ownership limit set forth in the Interim Measures.

To be prudent, upon our PRC legal adviser's advice, before the transfer of 30.02% of Beijing Phoenix to Star Target, we decided to transfer 10.00% of the equity interest of Jian Gong Hospital from Beijing Phoenix to Beijing Wantong on April 19, 2013 solely for the purpose of facilitating the obtaining of approval from Beijing MOFCOM for the transfer of equity interest in Beijing Phoenix to Star Target. Pursuant to the terms of the equity transfer agreement, Beijing Phoenix expressly reserved the following shareholder rights corresponding to such 10.00% equity interest:

- all rights to vote under all circumstances, including with respect to all reserved matters and winding up and liquidation arrangements of Jian Gong Hospital;
- all rights to receive dividends and other form of distribution, except in respect of the distribution of residual assets on a pro-rata basis upon the winding up or liquidation of Jian Gong Hospital;
- all rights that may be exercised by shareholders at general meetings;
- right to appoint directors to the board of Jian Gong Hospital; and
- right to subscribe to any increase of capital of Jian Gong Hospital.

In addition, Beijing Phoenix was entitled under the equity transfer agreement to request Beijing Wantong, and Beijing Wantong was obliged, to transfer title to such 10.00% equity interest of Jian Gong Hospital back to Beijing Phoenix at the original purchase price once such transfer became permissible under the applicable PRC laws, rules and regulations. To exercise this right, Beijing Phoenix was required to give a written notice to Beijing Wantong regarding such transfer, and Beijing Wantong was required to do all things necessary to facilitate and give effect to the transfer, including registering any change in shareholding of Jian Gong Hospital with Beijing SAIC. As advised by our PRC legal adviser, all of the terms in the equity transfer agreement, including all shareholder rights reserved by Beijing Phoenix, are legally binding, valid and enforceable and are in compliance with all applicable PRC laws, rules and regulations.

In April 2013, we submitted the application materials for the transfer of 30.02% equity interest in Beijing Phoenix to Star Target to Beijing MOFCOM for approval. The materials reflected the updated equity ownership of Jian Gong Hospital (70.00% owned by Beijing Phoenix, 20.00% owned by Beijing Construction Engineering Group and 10.00% owned by Beijing Wantong). Nevertheless, we understand from Beijing MOFCOM that they had decided to consult with the Beijing Municipal Health Bureau (北京市衛生局) to seek further clarification on the interpretation of the Interim Measures.

Pursuant to a response issued by the Beijing Municipal Health Bureau to Beijing MOFCOM dated May 13, 2013 (the "Reply"), Beijing Municipal Health Bureau explained that the conversion of Beijing Phoenix from a PRC domestic company into a Sino-foreign joint venture company would convert Jian Gong Hospital into a Company Re-invested by a Foreign-invested Company in the PRC (外商投資企業境內再投資企業) ("CRFIC"). Beijing Municipal Health Bureau further stated in the Reply that a CRFIC is not a foreign-invested company and consequently the conversion of Beijing Phoenix from a PRC domestic company into a Sino-foreign joint venture company did not amount to a conversion of Jian Gong Hospital into a Sino-Foreign Equity Joint Venture Medical Institution and does not require the approval of Beijing Municipal Health Bureau.

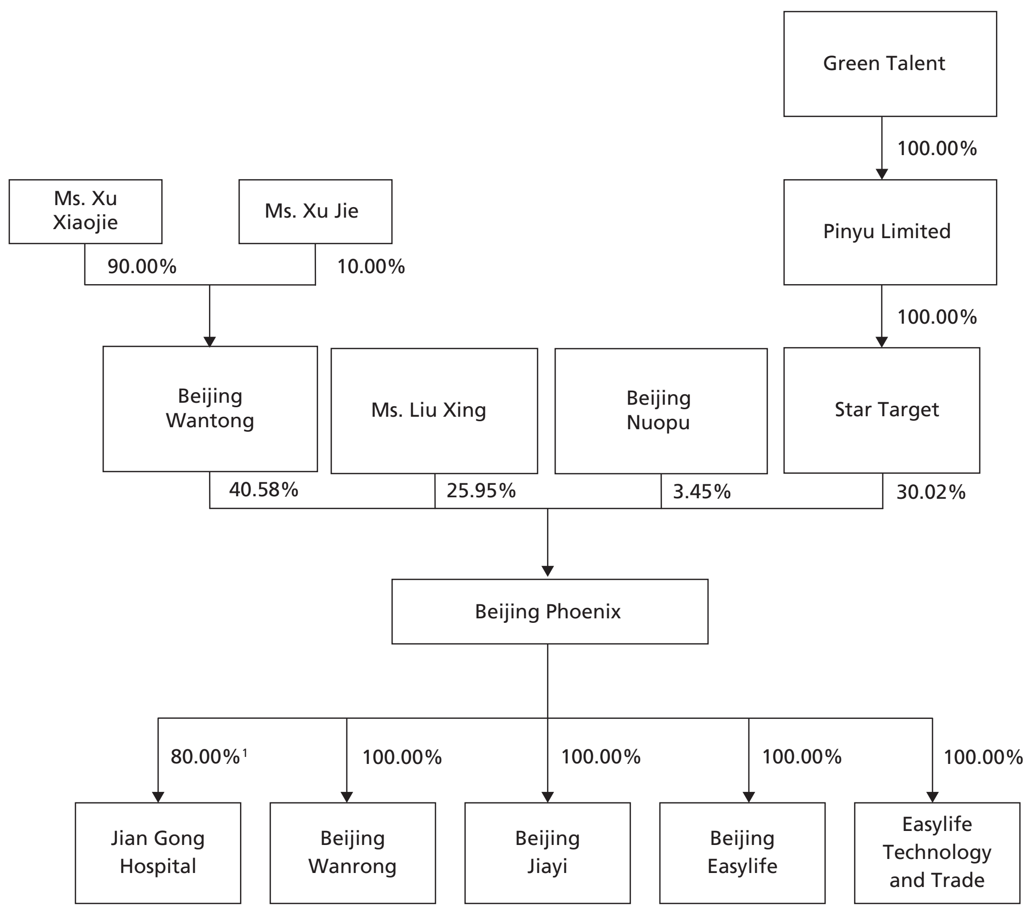
Based on the Reply, on May 22, 2013, Beijing MOFCOM approved the transfer of 30.02% equity interest in Beijing Phoenix to Star Target and Beijing Phoenix became a Sino-foreign investment company. Beijing MOFCOM also subsequently approved the transfer of 69.98% equity interest in Beijing Phoenix to Phoenix International on June 17, 2013. After such transfers, Beijing Phoenix became a wholly-owned foreign enterprise.

As stated in the Reply and advised by our PRC legal adviser, because the transfer of equity interest in Beijing Phoenix and the indirect transfer of equity interest in Jian Gong Hospital was not within the scope of the Interim Measures, we decided to repurchase the 10.00% equity interest in Jian Gong Hospital from Beijing Wantong to streamline the shareholding structure of Jian Gong Hospital. In August 2013, pursuant to the terms of the equity transfer agreement between Beijing Phoenix and Beijing Wantong dated April 18, 2013 and an equity transfer agreement between the parties dated August 20, 2013, Beijing Wantong transferred the 10.00% of the equity interest of Jian Gong Hospital back to Beijing Phoenix at the original purchase price at Beijing Phoenix's request. Beijing Phoenix made no cash payment to Beijing Wantong for this equity transfer because Beijing Wantong had not yet paid the original purchase price for such 10.00% equity interest. On August 27, 2013, this equity transfer was duly registered with Beijing SAIC.

As we continued to beneficially hold 80.00% of the equity interest of Jian Gong Hospital, we consolidated the operating results of Jian Gong Hospital with only 20.00% non-controlling interest attributable to Beijing Construction Engineering Group. For more details regarding accounting treatment of consolidation of the operating results of Jian Gong Hospital, see Note (ii) to "Accountants' Report — Equity interest attributable to the Group" in Appendix I to this prospectus.

First Round Acquisition of Beijing Phoenix

In May 2013, Star Target, a wholly-owned subsidiary of Green Talent, an Independent Third Party, acquired a total of 30.02% of the equity interest of Beijing Phoenix from certain shareholders, including 9.39% equity interest from Beijing Tianjian, 3.06% equity interest from Beijing Dayao, 5.30% equity interest from Beijing Nuopu and 12.27% equity interest from 16 individual shareholders. Green Talent is a limited liability company incorporated in the British Virgin Islands and controlled by Greenwoods Bloom Fund, L.P. The total consideration paid for such equity interest was RMB150.0 million, which was based on the net asset value of Beijing Phoenix as of December 31, 2012 and was paid in full by Star Target as of July 24, 2013. The investment made by Star Target was approved by Beijing MOFCOM. Beijing Phoenix obtained the new business license from Beijing SAIC and became a Sino-foreign joint venture company on May 28, 2013. The following diagram shows our Group structure immediately after the first round of acquisition of Beijing Phoenix:



1 Beijing Phoenix once transferred 10.00% of the equity interest of Jian Gong Hospital to Beijing Wantong on April 19, 2013, and repurchased such equity interest from Beijing Wantong on August 27, 2013. For more details, see "— Transfer and Repurchase of 10% of the Equity Interest of Jian Gong Hospital by Beijing Phoenix". The remaining 20.00% of the equity interest of Jian Gong Hospital was held by Beijing Construction Engineering Group, an Independent Third Party.

Incorporation of Offshore Holding Entities and Our Company

On February 28, 2013, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. On March 19, 2013, all of the Shares of the Company were transferred to Speed Key Limited by the then sole shareholder of the Company. On May 3, 2013, our Company allotted and issued Shares to Speed Key Limited, Hyde International Investment Limited and Exalt Great Limited. On June 13, 2013, our Company subsequently allotted and issued 36,480,000 Shares to Senmart Investments Limited and, upon completion of the transaction, our Company was 54.94%, 12.35%, 28.90% and 3.81% owned by Speed Key Limited, Hyde International Limited, Senmart Investments Limited and Exalt Great Limited, respectively. On the same date, our Company further allotted and issued 8,300,000 Shares to Silvapower Investments, and 1,480,000 Shares to Vertex Fund. For more details on equity investments made by Silvapower Investments and Vertex Fund, see "— The Reorganization — Equity Investments by Silvapower Investments, Vertex Fund and Green Talent".

Speed Key Limited is a limited liability company incorporated in the British Virgin Islands and is controlled by Ms. Xu Xiaojie, the largest Shareholder of our Company and a Controlling Shareholder.

Hyde International Investment Limited is a limited liability company incorporated in the British Virgin Islands and is owned by a total of 19 individuals, 11 of whom are the former shareholders of Beijing Phoenix and are on our management team, including our current CEO, Mr. Liang Hongze and CFO, Mr. Jiang Tianfan.

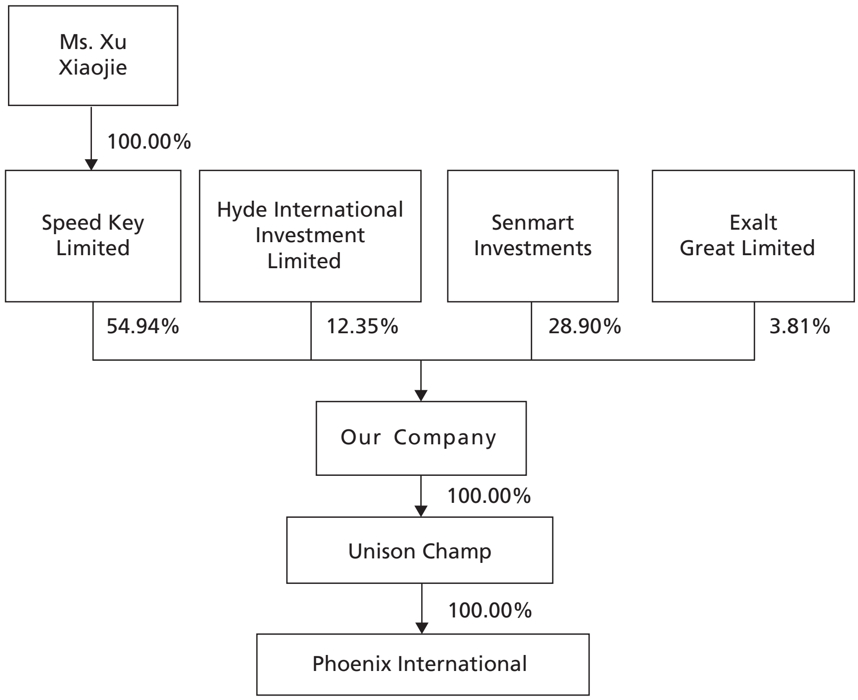
Senmart Investments is a limited liability company incorporated in the British Virgin Islands and owned by Mr. Zhu Zhiwei, the spouse of Ms. Liu Xing.

Exalt Great Limited is a limited liability company incorporated in the British Virgin Islands and owned by the shareholder of Beijing Dayao and another independent individual shareholder.

On January 7, 2013, Unison Champ was incorporated as a limited liability company in the British Virgin Islands. 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.

As advised by our PRC legal adviser, all of our ultimate shareholders who are subject to the registration requirements under Circular 75 completed their initial Circular 75 registrations with Beijing SAFE on May 15, 2013 and their changes of registration under Circular 75 with Beijing SAFE with respect to the Reorganization on August 28, 2013.

The following chart sets forth the offshore structure of the Group immediately after the allotment of Shares to the initial Shareholders of our Company.



Exchangeable Notes Issued to Silvapower Investments, Vertex Fund and Green Talent

In order to finance certain steps of the Reorganization, on June 13, 2013, Speed Key Limited and the Company entered into three exchangeable note subscription agreements with Silvapower Investments, Vertex Fund and Green Talent, respectively, subsequent to which Speed Key Limited issued three exchangeable notes in the aggregate principal amount of US$13,735,530, US$2,452,774 and US$24,282,454 to Silvapower Investments, Vertex Fund and Green Talent, respectively. The consideration payable for the subscriptions and the terms of the exchangeable notes were determined by the parties based on arm's length negotiations with regard to factors including the historical financial performance of the Group. As at the Latest Practicable Date, the proceeds from the issuance of the exchangeable notes have been fully on-lent to our Company. For more details, see "— Second Round Acquisition of Beijing Phoenix". The following table summarizes key information regarding the exchangeable notes.

Noteholder	Date of subscription agreement	Consideration paid	Payment date	Exchange price per Share as of date of subscription agreement	Adjusted Exchange Price per Share[1]	Discount to Offer Price[2]
Silvapower Investments	June 13, 2013	US$13,735,530	July 3, 2013	RMB30.66	RMB7.67	N/A
Vertex Fund	June 13, 2013	US$2,452,774	July 2, 2013	RMB30.66	RMB7.67	N/A
Green Talent.	June 13, 2013	US$24,282,454	July 2, 2013	RMB30.66	RMB7.67	N/A

1 Exchange price per Share is adjusted as a result of the sub-division in our share capital on September 30, 2013. For more details, see "Statutory and General Information — A. Further Information about Our Group — 2. Changes in Share Capital" in Appendix V to this prospectus. Rounded to two decimal places.

2 All of the rights of the Noteholders to exchange shares with their exchangeable notes expired on July 31, 2013.

The terms of the exchangeable notes of each Noteholder are identical. All exchange rights expired on July 31, 2013. The key terms of the exchangeable notes, pursuant to the respective subscription agreements and the note instruments, are as follows:

Issue price:	–	100% of the principal amount of the Exchangeable Notes
Issue dates:	–	July 2, 2013 (for Green Talent and Vertex Fund) and July 3, 2013 (for Silvapower Investments)
Exchange:	–	The principal amount of each exchangeable note and all of the accrued interest thereon are exchangeable for Shares in the Company owned by Speed Key Limited at a price equal to the U.S. dollar equivalent of RMB30.66 per Share on or prior to July 31, 2013. All such exchange rights expired on July 31, 2013 because none of the Noteholders had exercised their rights to exchange Shares with their exchangeable notes
Maturity date:	–	the earlier of (i) the date of the first anniversary of the issue date; or (ii) the Listing Date
Interest rate:	–	12.00% per annum on the principal amount of the exchangeable notes outstanding accruing from (and including) the issue date on a daily basis and shall be calculated on the basis of the actual number of days elapsed in a year of 365 days
Payment of interest:	–	Interest payment is accrued and shall be paid upon redemption of the exchangeable notes
Redemption at maturity:	–	All the remaining outstanding notes shall be redeemed by Speed Key Limited on the maturity date at an aggregate redemption price that is equal to the sum of (i) 100.00% of the principal amount of the notes then outstanding; and (ii) all interest accrued thereon and unpaid as at the maturity date

Redemption at the option of Speed Key Limited:	–	Speed Key Limited may at its discretion at any time before the maturity date, by giving a written notice to the Noteholder, redeem all the notes then outstanding at an aggregate redemption price equal to the sum of (i) 100.00% of the principal amount of the notes then outstanding; and (ii) all interest accrued thereon and unpaid as at the date of redemption
No voting rights:	–	The Noteholders had no voting or other rights in relation to the Shares of the Company prior to the exchange date
Guarantee:	–	A guarantee was granted by Ms. Xu Xiaojie and the Company jointly and severally in favor of each of the Noteholders to guarantee the repayment obligations of Speed Key Limited. This guarantee will lapse upon the Listing
Share charges:	–	On June 13, 2013, Speed Key Limited and the Company entered into separate share charge agreements with each of the Noteholders, pursuant to which Speed Key Limited charged 22,020,000 Shares, 12,447,273 Shares and 2,222,727 Shares of the Company in favor of Green Talent, Silvapower Investments and Vertex Fund, respectively, under a share charge, to secure Speed Key Limited's obligations under the exchangeable note subscription agreements and the Shareholders Agreement
	–	The share charges will be terminated and released upon or prior to the Listing
	–	For more details on the Shareholders Agreement, see "— The Reorganization — Equity Investments by Silvapower Investments, Vertex Fund and Green Talent"

Use of proceeds:	–	The proceeds raised from the exchangeable notes issued by Speed Key Limited were on-lent to our Company by way of shareholder loan at an interest rate of 12.00% per annum, and the proceeds were irrevocably received by our Company on July 3, 2013. The interest payable on the shareholder loan from Speed Key Limited to our Company accrues from July 3, 2013. All of the proceeds of the exchangeable notes were used by our Company to acquire Beijing Phoenix as part of our Reorganization. The Company is expected to repay the entire shareholder loan and the accrued interest using a portion of net proceeds from the Global Offering. For more details on repayment of the outstanding shareholder loan, see "Future Plans and Use of Proceeds". Pursuant to the terms of the exchangeable notes, the Company has undertaken to remit the outstanding principal and accrued interest to each of the Noteholders upon the Listing
Default at Maturity:	–	If Speed Key Limited fails to repay the outstanding principal amount of the notes and all interest accrued thereon upon maturity, the Noteholders may either foreclose the share charges or require Speed Key Limited to transfer such Shares to the Noteholders calculated by reference to a fixed formula. The formula is not linked to any of our IPO milestones. Since it is expected that the entire outstanding principal amount of the exchangeable notes and all interest accrued thereon will be repaid by the proceeds from the Global Offering, it is expected that default will not occur

Equity Investments by Silvapower Investments, Vertex Fund and Green Talent

Investment by Silvapower Investments

Pursuant to the Shareholders Agreement, the Company issued 8,300,000 Shares to Silvapower Investments for a consideration of RMB84,848,485. The consideration for the share subscription was determined based on arm's length negotiations with regard to our Group's financial condition and results of operations. The subscription was completed on July 3, 2013. The proceeds from the share subscription have been fully used by the Company for the acquisition of Beijing Phoenix as part of our Reorganization. For more details, see "— Second Round Acquisition of Beijing Phoenix".

Investment by Vertex Fund

Pursuant to the Shareholders Agreement, the Company issued 1,480,000 Shares to Vertex Fund for a consideration of RMB15,151,515. The consideration for the subscription was determined based on arm's length negotiations with regard to our Group's financial condition and results of operations. The subscription was completed on July 2, 2013. The proceeds from the share subscription have been fully used by the Company for the acquisition of Beijing Phoenix as part of our Reorganization. For more details, see "— Second Round Acquisition of Beijing Phoenix".

Investment by Green Talent

For more details on equity investment by Green Talent in our Company, see "— The Reorganization — First Round Acquisition of Beijing Phoenix" and "— The Reorganization — Acquisition of Pinyu Limited by Unison Champ".

The following table summarizes key information regarding the investments made by Silvapower Investments, Vertex Fund and Green Talent.

Investor	Date of Shareholders Agreement	Consideration paid	Payment date	Price per Share as of date of Shareholders Agreement[1]	Adjusted Price per Share[2]	Discount to Offer Price[3]	Discount to Offer Price[4]	Discount to Offer Price[5]
Silvapower Investments.	June 13, 2013	RMB84,848,485	July 3, 2013	RMB10.2	RMB2.56	45.01%	51.23%	56.19%
Vertex Fund .	June 13, 2013	RMB15,151,515	July 2, 2013	RMB10.2	RMB2.56	45.01%	51.23%	56.19%
Green Talent	June 13, 2013	RMB150,000,000	July 2, 2013	RMB10.2	RMB2.56	45.01%	51.23%	56.19%

1 Rounded to one decimal place.

2 Price per Share is adjusted as a result of the sub-division in our share capital on September 30, 2013. For more details, see "Statutory and General Information — A. Further Information about Our Group — 2. Changes in Share Capital" in Appendix V to this prospectus. Rounded to two decimal places.

3 For illustration purpose only. Assuming the Offer Price is HK$5.88 (equivalent to RMB4.66), which is the low end of the indicative Offer Price range.

4 For illustration purpose only. Assuming the Offer Price is HK$6.63 (equivalent to RMB5.25), which is the mid-point of the indicative Offer Price range.

5 For illustration purpose only. Assuming the Offer Price is HK$7.38 (equivalent to RMB5.84), which is the high end of the indicative Offer Price range.

Pursuant to the Shareholders Agreement (as amended) and the share redemption agreements (as amended) entered into among Shareholders of the Company dated June 13, 2013, the key terms of the investments made by Silvapower Investments, Vertex Fund and Green Talent are as follows. All such terms terminate automatically upon the Listing:

Rights of Shareholders:	(a) Board right — Green Talent is entitled to appoint one Director; Silvapower Investments and Vertex Fund do not have any board nomination rights;
	(b) Pre-emption right and anti-dilution right — the Company shall not issue any securities that has any dilutive effect to the shareholding of Green Talent, Silvapower Investments and Vertex Fund unless the Company offers the same securities to the Shareholders on a pro rata basis, together with the right to oversubscribe on a pro-rata basis if other Shareholders elect not to purchase such securities; for the avoidance of doubt, this right shall not apply to the Global Offering;
	(c) Tag along right — each Shareholder has a tag along right;
	(d) Right of first refusal — if any Shareholder proposes to transfer any of its Shares, then such shareholder shall first offer its Shares to other Shareholders; and
	(e) Information right — Green Talent, Silvapower Investments and Vertex Fund shall have the right to inspect the books and accounting records of the Company
Matters requiring unanimous consent of our Directors:	Prior to the IPO, the following matters require the unanimous consent of the Board of Directors of the Company, including the Director appointed by Green Talent (except for any such matters that arise in direct connection with the implementation of the Reorganization):
	(a) amending the memorandum and articles of association of any company of the Group;
	(b) changing the organizational form of any company of the Group;
	(c) any material change to the primary business of any company of the Group;

(d) termination, dissolution or liquidation, or extension of the term of any company of the Group;

(e) passing the relevant resolution or taking any action to cause the termination, liquidation, winding up, dissolution, cessation or bankruptcy liquidation of any company of the Group, or reaching a settlement or other arrangement with the creditors;

(f) increasing or decreasing the registered share capital or authorized share capital of any company of the Group;

(g) seeking for mergers and acquisitions, corporate restructuring, sale or any other transaction, so that all or substantially all of the assets or business of any company of the Group would be sold or transferred to a third party;

(h) transfer of the shares of any company of the Group by one or more Shareholders;

(i) granting of security over the shares of any company of the Group by one or more Shareholders;

(j) merger or partition of any company of the Group;

(k) sale, transfer, mortgage or other kinds of dispositions (except in the ordinary course of business of any company of the Group) of (i) all or part of the tangible assets of any company of the Group, which amounts to, whether individually or in the aggregate and on a consolidated basis for any 12 month period, 10% or more of the audited net asset value of such company of the Group of the previous financial year or (ii) any subsidiary or branch of any company of the Group;

(l) amending, changing or adding any provisions regarding Shareholder's rights, preferences, privileges or powers under the Shareholders Agreement;

(m) setting up of non-wholly owned subsidiaries, affiliated companies, joint ventures or partnerships by a company of the Group, or franchising a third party to operate any company of the Group other than in the ordinary course of business of the company of the Group;

(n) increasing or decreasing the size of the Board or any board committee of any company of the Group;

(o) declaring or making any payment by any company of the Group of a dividend or other distribution, or any other form of income or assets allocation;

(p) approving and executing any share option scheme or amending any terms therein;

(q) entry by any company of the Group into any binding contract or arrangement, if such contract or arrangement has not been included in the latest annual budget of any company of the Group approved by the board of the relevant company of the Group involving a payment obligation exceeding US$1,000,000 or its equivalent by such company of the Group;

(r) entry by any company of the Group into any transaction with a related party, a director, the senior management or the Affiliates of the Shareholders, including but not limited to, Ms. Xu Xiaojie and her designated family members;

(s) advancing any loans or credit or financial assistance by any company of the Group to third parties involving a sum (individually or in the aggregate and on a consolidated basis for any 12 month period) exceeding 5% of the audited net asset value of the company of the Group of the previous financial year, except in the ordinary course of business to provide customers with a standard trade credit;

(t) granting mortgage or other kinds of encumbrances over part or all of shares of any company of the Group, properties or assets (individually or in the aggregate and on a consolidated basis for any 12 month period) exceeding 5% of the audited net asset value of any company of the Group of the previous financial year, except in accordance with pre-approved operating and financial planning and the budgeting of the current financial year;

(u) appointing or removing the auditors of any company of the Group, altering its accounting year end or any material accounting principles, approving the annual financial statements or the audited financial statements;

(v) approving or amending (if such amendment involves a sum exceeding 5% of the audited net asset value of any company of the Group of the previous financial year) the annual budget by any company of the Group (including revenue forecasts);

(w) authorizing or issuing, or creating an obligation on the part of any company of the Group to issue, any securities;

(x) entering into, amending or terminating any IOT agreements;

(y) agreeing in any action taken regarding items (a) to (x) above.

All of the above does not apply after the Listing.

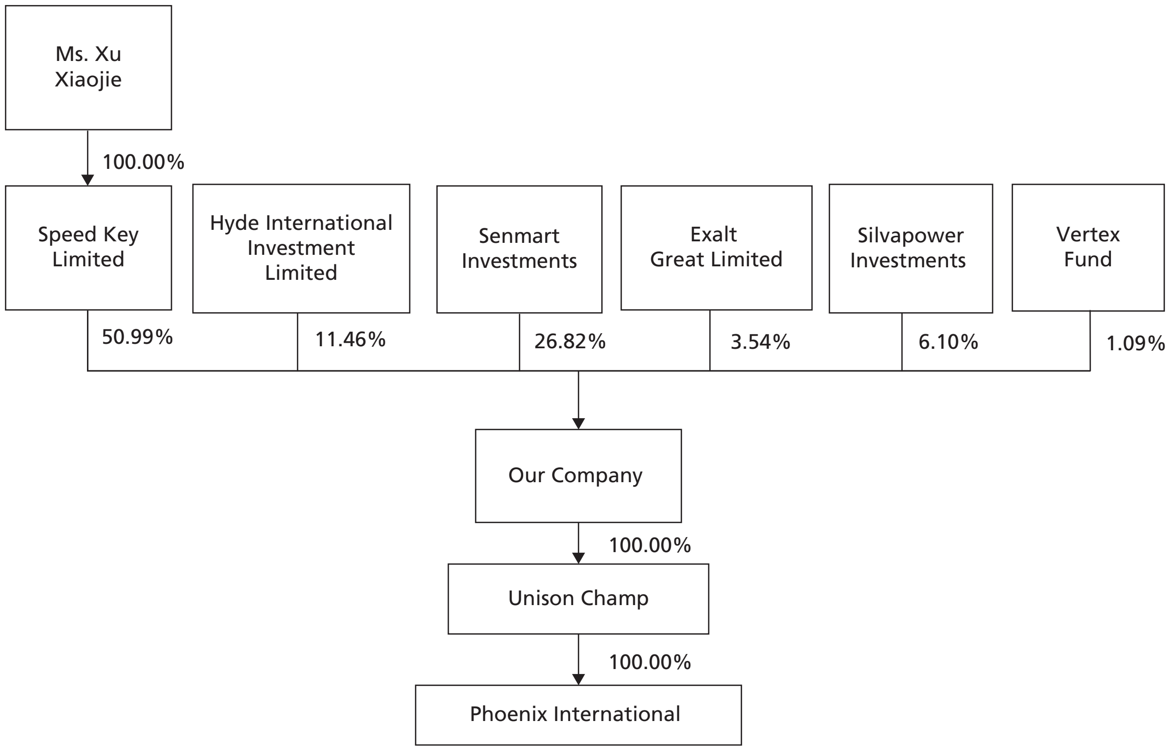
Profit guarantee:

– If the consolidated audited annual net profit of the Company does not meet a certain threshold for the year ended December 31, 2013 and for the year ended December 31, 2014, Speed Key Limited and/or Ms. Xu Xiaojie shall compensate each of Green Talent, Silvapower Investments and Vertex Fund in cash or in Shares based on pre-determined formulae. The profit guarantee is only settled by Speed Key Limited and/or Xuxiaojie. The formulae are not linked to the marketprice or capitalization of the Shares, nor any of the milestones with respect to the Listing and such right shall not survive the Listing

Share redemption:	–	The redemption right could only be exercised if the Global Offering has not taken place on or before December 31, 2014. In that circumstance, each of Green Talent, Silvapower Investments and Vertex Fund may request the Company, Ms. Xu Xiaojie and Speed Key Limited to redeem all of the Shares which are then held by them. The redemption price (the "Redemption Price") shall be the higher of (i) 15% of the respective amounts paid by each of Green Talent, Silvapower Investments and Vertex Fund for the Shares (i.e., the US$ equivalent of RMB150.0 million for Green Talent, the US$ equivalent of RMB84,848,485 for Silvapower Investments and the US$ equivalent of RMB15,151,515 for Vertex Fund), compounded annually, plus after-tax dividends declared but not yet distributed, divided by the number of Shares then held by each of Green Talent, Silvapower Investments and Vertex Fund (as adjusted by share splits); and (ii) the net asset value of the Group on the redemption date divided by the aggregate number of issued Shares. The share redemption right is not exercisable under any other circumstances and such right shall not survive the Listing
Transferability:	–	Except with the prior written consent of Ms. Xu Xiaojie, none of the Shareholders shall sell, transfer or assign all or any part of or any direct or indirect interest in any Shares held by each of them

All of the above rights of the Shareholders will be automatically terminated upon the Listing.

The following diagram shows our Group structure immediately after the completion of the investment by Silvapower Investments and Vertex Fund:



Background of Green Talent, Silvapower Investments and Vertex Fund

Green Talent

Green Talent is a business company with limited liability incorporated in the British Virgin Islands and is controlled by Greenwoods Bloom Fund, L.P., an Independent Third Party.

Silvapower Investments

Silvapower Investments is a limited liability company incorporated in the British Virgin Islands and its principal activities are equity investments. Silvapower Investments is beneficially owned by four Independent Third Parties and is controlled by Mr. Zhu Zhiwei.

Vertex Fund

Vertex Fund is incorporated in Singapore and its principal activities are equity investments in companies with disruptive, emerging and high growth opportunities, primarily in Asia. Vertex Fund is associated with Temasek Holdings (Private) Limited, an investment company based in Singapore and an Independent Third Party.

Additional Information Regarding the Pre-IPO Exchangeable Notes and Pre-IPO Equity Investments

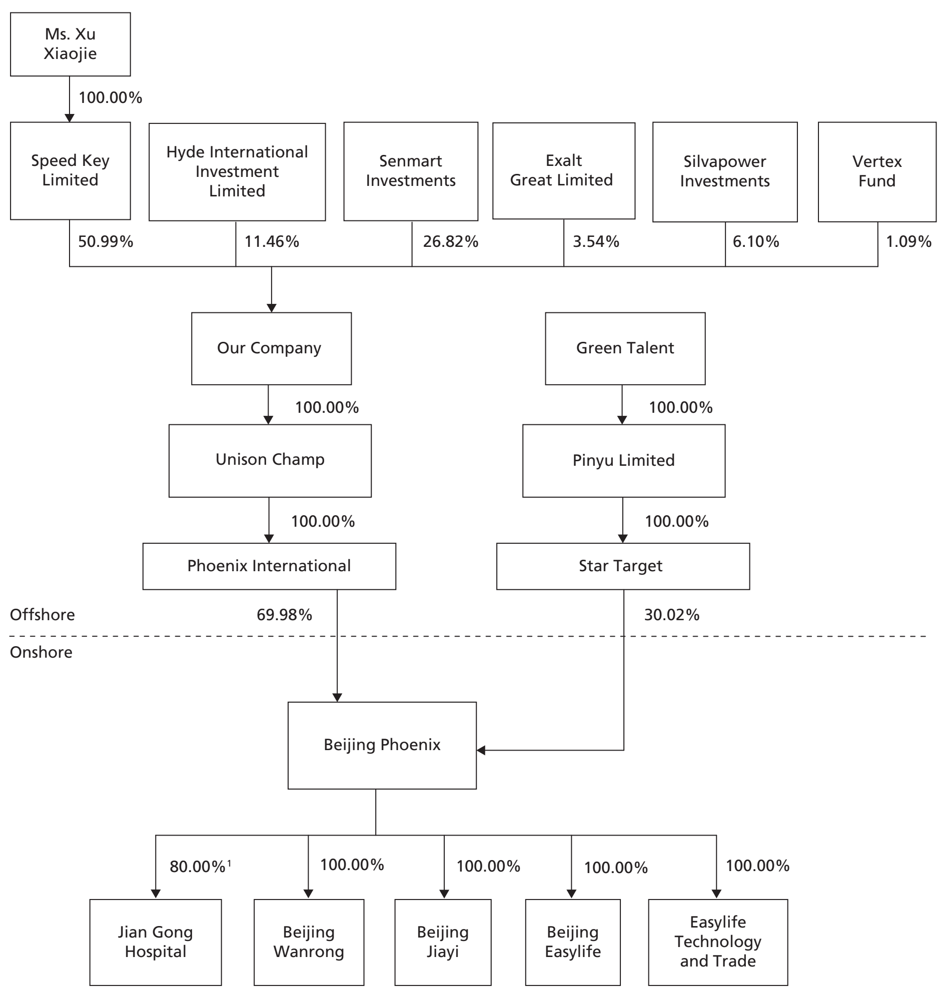
The pre-IPO equity investors have agreed with the Underwriters to subject their respective Shares to a lock-up period of one year from the date of Listing. Upon completion of the Global Offering, the Shares held by Green Talent and Vertex Fund will be considered part of the public float for the purposes of Rule 8.08 of the Listing Rules because Green Talent and Vertex Fund are not entitled to exercise, or control the exercise of, 10.00% or more of their voting power at any general meeting of the Company.

The investments made by the investors of the pre-IPO exchangeable notes and the pre-IPO equity investments are made with the primary goal to fund the acquisition of Beijing Phoenix by the Company as part of our Reorganization and enhance the Group's shareholder profile and growth prospects by bringing in international private equity investors.

The proceeds from the pre-IPO exchangeable notes and the pre-IPO equity investments have been irrevocably received by the Group more than 28 clear days before the submission of the listing application of the Company. In addition, we have been advised by our Hong Kong legal adviser that the amendments to the Shareholders Agreement and Share Redemption Agreement do not constitute new agreements. As a result, the Joint Sponsors are of the view that the Company is in compliance with the Interim Guidance on pre-IPO Investments published by the Listing Committee of the Stock Exchange on October 13, 2010, the Guidance on Pre-IPO Investments published by the Stock Exchange on October 25, 2012 and updated in July 2013 and the Guidance on Pre-IPO Investments in Convertible Instruments published by the Stock Exchange on October 25, 2012.

Second Round Acquisition of Beijing Phoenix

On June 25, 2013, Phoenix International acquired a total of 69.98% of the equity interest of Beijing Phoenix from its shareholders (except for Star Target), including 40.58% equity interest from Beijing Wantong, 25.95% equity interest from Ms. Liu Xing and 3.45% equity interest from Beijing Nuopu. The consideration of RMB350.0 million was based on an independent valuation of Beijing Phoenix conducted by a professional valuer on April 23, 2013. The acquisition was funded with proceeds from investments in our Company made by Green Talent, Silvapower Investments and Vertex Fund. The consideration was paid in full by Phoenix International as of July 17, 2013. This acquisition made by Phoenix International was approved by Beijing MOFCOM on June 24, 2013. Beijing Phoenix obtained the updated business license from Beijing SAIC and became a wholly foreign-owned company on June 25, 2013. After the completion of this acquisition, Phoenix International and Star Target held 69.98% and 30.02%, respectively, of the equity interest of Beijing Phoenix. The following diagram shows our Group structure immediately after the acquisition:

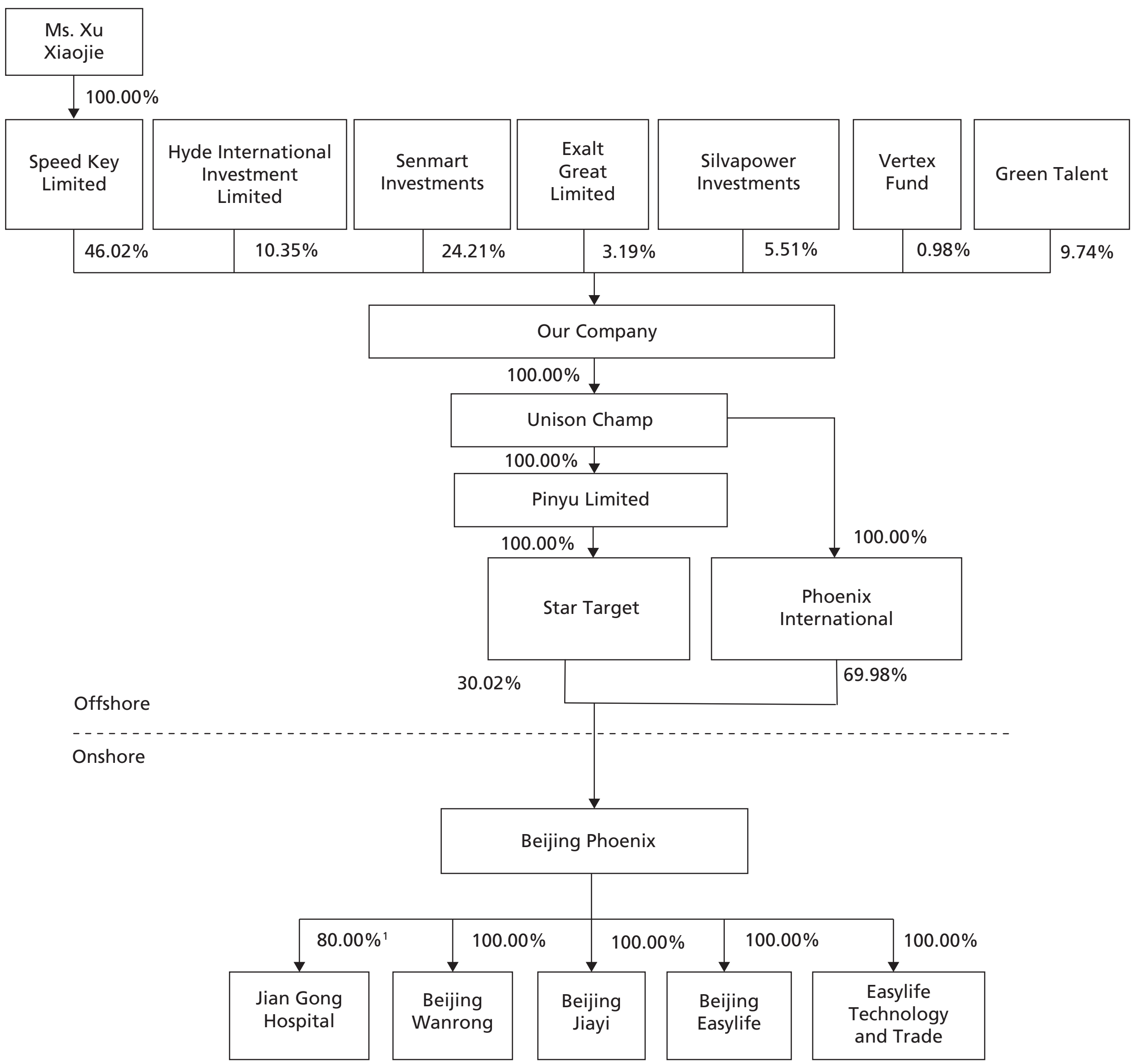


1 Beijing Phoenix once transferred 10.00% of the equity interest of Jian Gong Hospital to Beijing Wantong on April 19, 2013, and repurchased such equity interest from Beijing Wantong on August 27, 2013. For more details, see "— Transfer and Repurchase of 10% of the Equity Interest of Jian Gong Hospital by Beijing Phoenix". The remaining 20.00% of the equity interest of Jian Gong Hospital was held by Beijing Construction Engineering Group, an Independent Third Party.

Acquisition of Pinyu Limited by Unison Champ

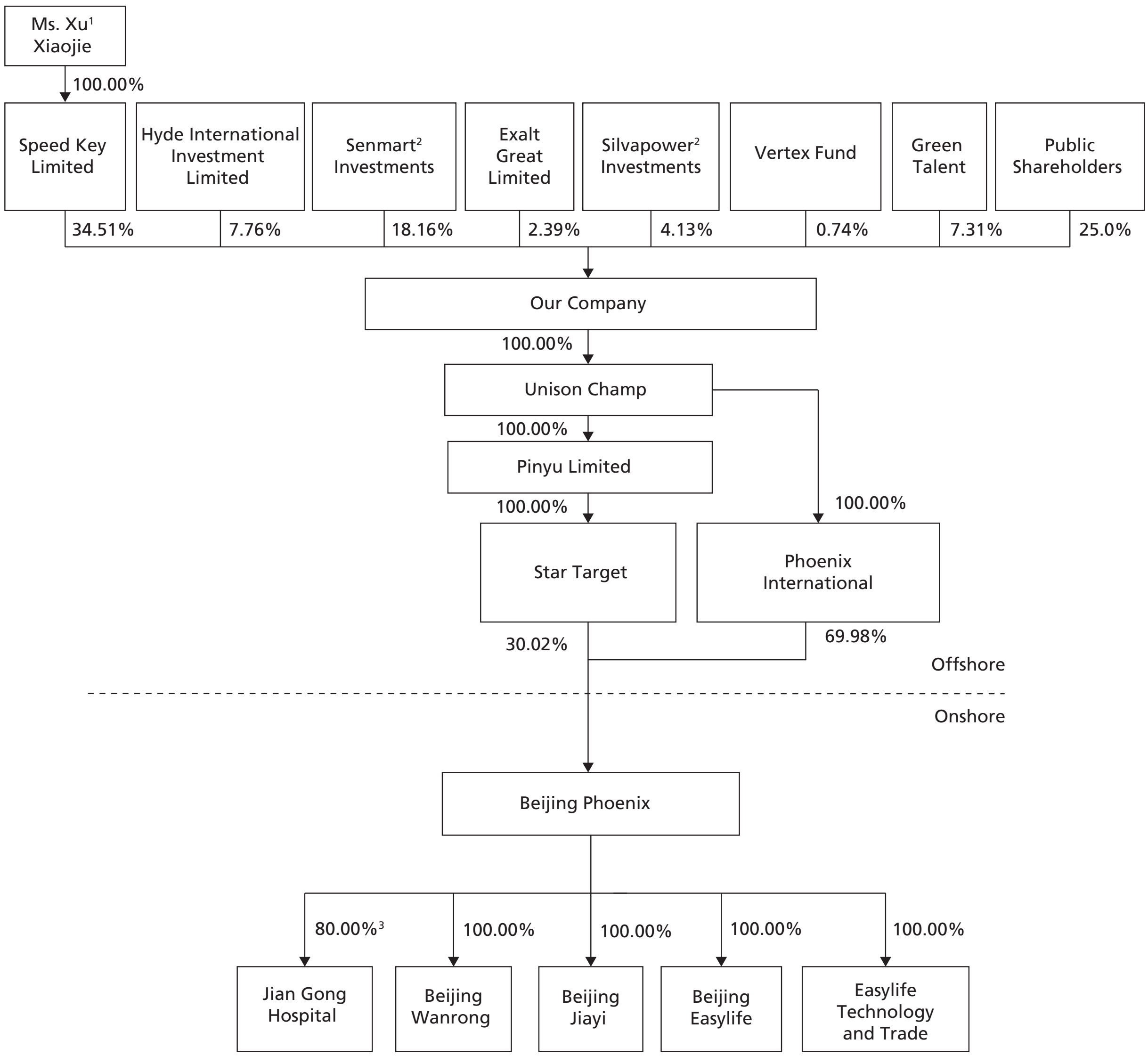
On July 2, 2013, Unison Champ acquired 100.00% of the equity interest of Pinyu Limited from Green Talent, and in exchange, our Company issued 14,680,000 Shares to Green Talent. The consideration of issuance of these Shares to Green Talent was determined based on arm's length negotiations having regard to the appraised value of the equity interest of Beijing Phoenix held by Pinyu Limited, which was equal to RMB150.0 million.

The following diagram shows our Group structure immediately after the completion of acquisition of Pinyu Limited by Unison Champ, and immediately prior to the completion of the Global Offering:



1 Beijing Phoenix once transferred 10.00% of the equity interest of Jian Gong Hospital to Beijing Wantong on April 19, 2013, and repurchased such equity interest from Beijing Wantong on August 27, 2013. For more details, see "— Transfer and Repurchase of 10% of the Equity Interest of Jian Gong Hospital by Beijing Phoenix". The remaining 20.00% of the equity interest of Jian Gong Hospital was held by Beijing Construction Engineering Group, an Independent Third Party.

The following chart sets forth our shareholding and corporate structure immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).



1 Ms. Xu Xiaojie is the daughter of Ms. Xu Jie, our founder.

2 Senmart Investments is wholly owned by Mr. Zhu Zhiwei. Silvapower Investments is beneficially owned by four Independent Third Parties and is controlled by Mr. Zhu Zhiwei. Mr. Zhu Zhiwei was an Independent Third Party of the Group while working at Tiantu Funds and he became acquainted with the Group when Tiantu Funds made investments in Beijing Phoenix in 2010. When Tiantu Funds desired to exit from Beijing Phoenix in April 2013, Mr. Zhu Zhiwei, through his spouse, Ms. Liu Xing, acquired Tiantu Funds' equity interests in Beijing Phoenix because he was optimistic about the prospects of the Group and the healthcare services industry. During the Reorganization, Mr. Zhu Zhiwei swapped his spouse's equity interests in Beijing Phoenix for Shares in the Company.

3 The remaining 20.00% of the equity interest of Jian Gong Hospital is held by Beijing Construction Engineering Group, an Independent Third Party.

PRC LEGAL COMPLIANCE

Pursuant to Article 11 of the M&A Provisions promulgated by MOFCOM on June 22, 2009, any PRC domestic company, enterprise or natural person that proposes to acquire any of its related domestic enterprise or company in the name of an offshore company which has been legitimately established or controlled by such PRC domestic company, enterprise or natural person, shall obtain approval of MOFCOM prior to such acquisition. In addition, the parties to the acquisition shall not evade such requirements through domestic investment by a foreign-invested enterprise or any other means. As to our Reorganization for the purpose of the Listing, we acquired the shares of Beijing Phoenix through Star Target and Phoenix International in the proportions of 30.02% and 69.98% on May 28, 2013 and June 25, 2013, respectively, resulting in the conversion of Beijing Phoenix into a foreign-invested company. As advised by our PRC legal adviser, the largest Shareholder and a Controlling Shareholder of our Company, Ms. Xu Xiaojie, is not regarded as a PRC domestic natural person or resident under the M&A Provisions as Ms. Xu Xiaojie became a permanent resident of the United States on June 1, 2007 and cancelled her residential registration in China on March 14, 2013. Moreover, as advised by our PRC legal adviser, our Reorganization is not subject to the M&A Provisions and that it is not necessary for us to obtain approval from either MOFCOM for the Reorganization in accordance with Article 11 of the M&A Provisions or from the China Securities Regulatory Commission for the Listing and trading of our securities in accordance with Article 40 of the M&A Provisions. As advised by our PRC legal adviser, all of our ultimate shareholders who are subject to the registration requirements under Circular 75 completed their initial Circular 75 registrations with Beijing SAFE on May 15, 2013 and their changes of registration under Circular 75 with Beijing SAFE with respect to the Reorganization on August 28, 2013. Our PRC legal adviser also advised us that our Company has obtained all necessary consents and approvals from competent government authorities with respect to the Reorganization, to the extent related to PRC laws, rules and regulations, and is compliant with applicable PRC laws, rules and regulations.

Our Shareholders have entered into a shareholders agreement on June 13, 2013 to agree upon and confirm the major steps of our Reorganization. In addition, we have obtained shareholders' approval for our proposed Listing and Global Offering on September 30, 2013. As advised by our PRC legal adviser, we have obtained shareholders' approval for all onshore steps of our Reorganization in accordance with PRC law and no shareholders' approval is required for the proposed Listing under PRC law. For more details, see "Appendix V. Statutory and general information — A. Further Information About Our Group — 3. Resolutions of our Shareholders".

OVERVIEW

We are the largest private hospital group in China as measured by the number of beds in operation and patient visits at our in-network hospitals and clinics in 2012, according to the Frost & Sullivan Report. Our in-network hospitals and clinics offer a full spectrum of healthcare services from primary preventive care to acute care and post-operative rehabilitation. All of our in-network hospitals and clinics are strategically located in Beijing, one of the largest healthcare markets in China, according to the Frost & Sullivan Report. We own Jian Gong Hospital and manage the following IOT hospitals and clinics: Yan Hua Hospital Group, Mentougou Hospital, Jing Mei Hospital Group and Mentougou Traditional Chinese Medicine Hospital. As of June 30, 2013, our hospital network consisted of 11 general hospitals, one traditional Chinese medicine hospital and 28 community clinics, with a total of 3,213 beds in operation.

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

As an early entrant to China's public hospital reform, we have accumulated extensive and valuable experience in working with hospital owners, regulators and other key stakeholders in China's healthcare services industry. Ms. Xu Jie, our Founder and a Controlling Shareholder, participated in the reform of Jian Gong Hospital to acquire its majority equity interest in 2000, which was the first privatization of an SOE-owned hospital in Beijing. In 2010, we began to manage Mentougou Hospital, which was the first government-owned hospital in Beijing to outsource its management through a PPP.

Leveraging our successful track record in public hospital reform, we have used the IOT model to significantly expand our hospital network. During the Track Record Period, we added nine general hospitals, one traditional Chinese medicine hospital and 11 community clinics, with a total of 2,110 beds in operation, to our network through the IOT model. Under the IOT model, we agree to make a fixed investment to improve the medical facilities as well as clinical services of a hospital in exchange for the right to manage and operate that hospital and we receive performance-based management fees and the ability to supply pharmaceuticals, medical devices and medical consumables for a period ranging from 19 to 48 years. If the relevant IOT agreements are not renewed or extended after such period, the management rights will be transferred back to the hospital owner. As compared to acquiring public hospitals, the IOT model generally allows us to manage and operate hospitals with much less investment. Moreover, the IOT model does not change the public, not-for-profit nature of these public hospitals and is therefore preferred by such public hospital owners.

The rapid growth of our hospital network during the Track Record Period has led to the growth of our supply chain business. As a result of our management rights over in-network hospitals and clinics, we are able to control, consolidate and manage the procurement needs of these hospitals and clinics. In particular, our supply chain business consolidates the procurement needs of the in-network hospitals and clinics to obtain volume discounts from our suppliers. Therefore, we are able to generate supply chain business revenue by selling pharmaceuticals, medical devices and medical consumables to our in-network hospitals and clinics. We either purchase pharmaceuticals, medical devices and medical consumables from suppliers for resale to our in-network hospitals, or arrange for our in-network hospitals to purchase these items directly from suppliers. Our supply chain business primarily serves our in-network hospitals and generally does not supply other third-party hospitals.

Our model of operating a network of geographically concentrated hospitals rather than a single hospital creates economies of scale and additional synergies, which has led to better healthcare service quality, resource sharing, operating efficiency and profitability. The performance of all of our IOT hospitals and clinics, as measured by total patient visits and ALOS, has generally improved since the first full year of our management. Under our management, Jian Gong Hospital and Yan Hua Hospital received JCI accreditation in 2010. As of June 30, 2013, Jian Gong Hospital and Yan Hua Hospital were two out of the only three hospitals in Beijing that had received such accreditation. This further enhances our reputation for clinical excellence and helps us to attract additional patients as well as experienced doctors and other medical professionals.

We grew significantly during the Track Record Period. Our in-network hospitals and clinics increased from two general hospitals and 17 community clinics, with a total of 1,103 beds in operation, as of January 1, 2010 to 11 general hospitals, one traditional Chinese medicine hospital and 28 community clinics, with a total of 3,213 beds in operation, as of June 30, 2013. Our revenue increased from RMB394.1 million in 2010 to RMB509.5 million in 2011 and to RMB758.0 million in 2012, representing a CAGR of 38.7%, and increased by 30.5% from RMB321.5 million in the six months ended June 30, 2012 to RMB419.7 million in the six months ended June 30, 2013. Our net profit also increased from RMB49.0 million in 2010 to RMB58.5 million in 2011 and to RMB110.7 million in 2012, representing a CAGR of 50.3%, and increased by 12.9% from RMB46.4 million in the six months ended June 30, 2012 to RMB52.4 million in the six months ended June 30, 2013.

OUR COMPETITIVE STRENGTHS

Largest Private Hospital Group in China

We are the largest private hospital group in China as measured by the number of beds in operation and patient visits at our in-network hospitals and clinics in 2012, according to the Frost & Sullivan Report. We managed and operated, through direct ownership or the IOT model, a network of 11 general hospitals, one traditional Chinese medicine hospital and 28 community clinics with a total of 3,213 beds in operation as of June 30, 2013. Among these hospitals, Yan Hua Hospital and Jing Mei Hospital are Grade III hospitals, the highest grade for hospitals in China and the only Grade III hospitals in their respective administrative districts. Jian Gong Hospital, Mentougou Hospital and Mentougou Traditional Chinese Medicine Hospital are Grade II hospitals. Our in-network hospitals and clinics had a total of over three million patient visits in 2012.

Because our healthcare network consists primarily of general hospitals, we offer a full spectrum of healthcare services from primary preventive care to acute care and post-operative rehabilitation. Our large scale and comprehensive clinical service offerings have enabled us to attract and retain patients, generate synergies across our Group and enhance our operational efficiency. Our broad platform also enables us to promote Group-wide best practices and attract experienced doctors and medical staff, which in turn helps our in-network hospitals and clinics provide better healthcare services to patients.

We expanded our hospital network with less investment amounts through the IOT model than through acquisitions of public hospitals. During the Track Record Period, we added nine general hospitals, one traditional Chinese medicine hospital and 11 community clinics with a total of 2,110 beds in operation to our network through the IOT model. We believe that our experience and successful track record in operating hospitals under various ownership and management structures will support our future expansion and strengthen our leading position as the largest private hospital group in China.

First-Mover Advantage Positioning Us to Capture Growth Opportunities in China's Public Hospital Reform

As an early entrant to China's public hospital reform, we have accumulated extensive experience in working with public hospital owners, regulators and other key stakeholders when participating in different reform methods, including privatization and PPP. Ms. Xu Jie, our Founder and a Controlling Shareholder, participated in the reformation of Jian Gong Hospital to acquire its majority stake in 2000, which was the first privatization of a SOE-owned hospital in Beijing. In 2010, we began to manage Mentougou Hospital, which was the first government-owned hospital in Beijing to outsource its management through a PPP.

We believe that we are better positioned to identify and capture public hospital reform opportunities than new market entrants. We believe that our successful track record and experience in hospital reform provide us with a first-mover advantage given the limited number of precedents in China's public hospital reform. For example, the government of Beijing published the "Certain Policies on Further Encouraging and Guiding Private Capital to Invest in Medical Institutions" (關於進一步鼓勵和引導社會資本舉辦醫療機構若干政策) in 2012, which encourages and provides guidance with regard to private investments wanting to participate in the public hospital reform in Beijing. This guidance expressed a preference for reputable private sector partners that have extensive hospital operational experience and a successful track record in participating in public hospital reform. Such preference provides experienced private hospital groups like us with a significant competitive advantage.

Public hospital reform and private sector investments in hospitals, a key part of the ongoing healthcare reform in China, have provided and will continue to provide us with significant growth opportunities. China's 12th Five-Year Plan aims to increase the proportion of beds in private hospitals from 13% of total beds in 2010 to 20% of total beds by 2015. The PRC government selected 17 cities, including Beijing, to pilot public hospital reform. In the long term, the Frost & Sullivan Report predicts that more private healthcare service groups like us are expected to manage public hospitals to improve operations and efficiency when PRC government seeks to privatize more public hospitals.

Innovative Business Model Capturing Multiple Parts of the Value Chain and Realizing Synergies

We believe that our innovative business model enables us to capture multiple parts of the healthcare value chain while realizing synergies in terms of resource utilization, healthcare quality enhancement, cost reduction and profitability improvement. We create value primarily through the following measures:

- *Maximizing the value chain of healthcare services*. We identify key parts in the healthcare services value chain and transform them into individual commercial units. We have successfully implemented this strategy to establish our supply chain business and Phoenix VIP Services. In the case of supply chain business, we aggregate the procurement needs of our in-network hospitals for pharmaceuticals, medical devices and medical consumables and negotiate for volume discounts with suppliers. We then sell such products to the hospitals managed by us to generate revenue and profits.

- *Standardizing practices and information technology system at the Group level*. We adopt Group-wide practices and standardize the use of advanced information technology in our hospital operations. For example, under our management, Jian Gong Hospital and Yan Hua Hospital received JCI accreditation in 2010 after we implemented our management system and standards. As of June 30, 2013, they were the two out of the only three hospitals in Beijing that had received such accreditation. In addition, our in-network hospitals use a comprehensive suite of software to improve operational efficiency, such as Hospital Information System (HIS), Picture Archiving and Communications System (PACS), Laboratory Information System (LIS) and Social Insurance System (SIS), to assist with the management of patient records, billing history, human resources and other functions.

- *Resource sharing*. We share human resources and medical knowledge across our hospital network. For example, specialists and seasoned doctors can be rotated within our in-network hospitals through a doctor sharing mechanism (多點執業) which could improve our operational efficiency, enhance our reputation and attract talents by offering them the opportunity to be exposed to a broader patient base in the largest private hospital group in China. We also organize training events to share the latest medical development and know-how among our in-network doctors.

The service quality and operational efficiency of our in-network hospitals have improved under our management. The performance of all of our IOT hospitals and clinics, as measured by total patient visits and ALOS, improved in the first full year of our management. For example, with respect to Mentougou Hospital, (a) total patient visits increased by more than 40% two years after we took over its management, (b) the ALOS decreased from 15.5 days when we took over its management in 2010 to 12.1 days in the six months ended June 30, 2013, and (c) the number of surgeries performed increased from 1,334 in 2010 to 2,642 in 2012, of which Grade IV operations, the operations performed with highest risk and technical difficulty, increased from 87 in 2010 to 172 in 2012.

Strategic Focus on Beijing, the Largest Healthcare Market in China

We have strategically established our hospital network in Beijing, one of the largest and fastest-growing healthcare markets in China, according to the Frost & Sullivan Report. There were 84 Grade III hospitals, 147 Grade II hospitals, over 92,600 hospital beds and approximately 135 million patient visits in Beijing as of 2012, according to the Frost & Sullivan Report. Among all cities in China, Beijing is ranked first in terms of number of Grade III hospitals, number of hospital beds and number of patient visits. A substantial majority of these hospitals are public hospitals owned by local governments or large SOEs. According to the Frost & Sullivan Report, total healthcare services market in Beijing grew at a CAGR of 17.8% from RMB59.4 billion in 2008 to RMB114.4 billion in 2012 and is expected to further grow to RMB222.3 billion in 2017 at a CAGR of 14.2% between 2012 and 2017. In 2011, healthcare spending per capita in Beijing was RMB4,826, which was much higher than the national average, according to the Frost & Sullivan Report.

Moreover, according to the Frost & Sullivan Report, hospitals in Beijing are generally perceived by patients as offering the highest-quality healthcare services in China, which helps attract a sizable number of non-resident patients to Beijing. From 2010 to 2012, non-resident inpatients and non-resident outpatients respectively accounted for approximately 50% and 33% of total inpatients and outpatients treated by Grade III hospitals in Beijing. In addition, many practicing medical experts and medical schools are located in Beijing, providing a larger talent pool than other areas in China. Such experts and key opinion leaders play an important role in the development of medical technology, new insurance guidelines and overall healthcare policies.

Furthermore, as the nation's capital and one of the 17 cities to pilot the healthcare reform in China, Beijing's initiatives have high precedential value. We believe that our experience and success in participating in the Beijing's healthcare reform have better enabled us to capture additional opportunities in the healthcare services industry in Beijing, which aims to increase the proportion of private hospitals beds from 13% in 2010 to 20% of total hospital beds in 2015.

Experienced Management Team and Professional Experts

Our core management team is comprised of a group of seasoned professionals with an in-depth understanding of the healthcare market in China. Their diverse industry experience, innovative vision and strong execution capabilities have enabled us to achieve robust growth and profitability. Many members of our hospital managers are also renowned doctors, which provides us with in-depth knowledge of the intricacies of hospital operations as well as experience in working with doctors and other medical professionals. We believe that our senior management team has been and will continue to be crucial to the success of our business and will continually adhere to our corporate value of caring, innovation, perseverance and sharing.

Our in-network hospitals have built a strong team of doctors and medical staff, including 81 chief doctors (主任醫師), 229 associate-chief doctors (副主任醫師), 488 attending doctors (主治醫師) and 403 resident doctors (住院醫生) as of June 30, 2013. Our medical staff team is able to provide quality healthcare services to patients, which helps to attract more patients and improve the performance of our in-network hospitals.

OUR STRATEGIES

Our goal is to become the leading hospital group in Asia, offering patients high quality and cost-effective healthcare services and facilitating the development of China's healthcare service industry. To accomplish this goal, we plan to implement the following strategies:

Strengthen Market Leadership by Continuing to Expand Our Network of Hospitals and Clinics

Leveraging our successful experience and track record and favorable government policies, we intend to strengthen our market leadership by continuing to expand our hospital network. We plan to privatize or enter into IOT agreements with public hospitals in Beijing to capture the opportunities arising from public hospital reform. China's highly fragmented healthcare services market offers a significant opportunity to expand our presence in Beijing and into other selected new markets. To increase economies of scale and to leverage our existing capabilities, expertise and reputation, we strategically target Grade

II and Grade III general hospitals in all districts in Beijing that are Medical Insurance Designated Medical Institutions and have more than 300 beds in operation. As of 2012, there were 84 Grade III and 147 Grade II hospitals in Beijing, according to the Frost & Sullivan Report. When negotiating the potential acquisition or PPP terms with hospital owners, we consider the following key factors: current financial and operating performance of the hospital, initial investment amount required to improve hospital infrastructure and quality of healthcare services, ongoing operating expenses and capital expenditures, and potential return primarily from management fees and supply chain business revenue perspectives. For more details, see "Financial Information — Capital Expenditures" and "Future Plans and Use of Proceeds". When appropriate, we also plan to expand our business to other areas with relatively less developed healthcare services and strong growth potential, including Hebei, Shandong, Shanxi, Henan and Hubei; however, we did not have any specific target for acquisition or PPP opportunity as of the Latest Practicable Date.

Further Centralize Key Functionalities and Standardize the Operations of In-network Hospitals and Provide Such Services to Other Hospitals

We plan to further improve our efficiency by centralizing functionalities at the Group level and standardize the operations of our in-network hospitals. These measures include:

- further aggregating the sourcing and procurement of pharmaceuticals, medical devices and medical consumables, which has played a significant role in improving the quality and efficiency of our healthcare services;

- further standardizing our information technology system at the Group level by adopting a unified information technology system to streamline our purchases of pharmaceuticals, medical devices and medical consumables through an Enterprise Resource Planning System (ERPS), which is currently under development and is expected to provide us with access to financial, human resources, inventory, and other critical information of our in-network hospitals on a real-time basis; and

- further centralizing certain specialized medical functions among our in-network hospitals and clinics, such as establishing a central diagnosis and testing center, and other ancillary services, such as laundry, hospital sanitation services and convenience stores, on the premises of our in-network hospitals and clinics.

We believe these measures will help us improve operating efficiency, lower costs and expenses, minimize operational risks, increase revenue sources and deepen relationships with our IOT partners. For more details, see "Financial Information — Capital Expenditures" and "Future Plans and Use of Proceeds". Leveraging our extensive experience in managing and operating hospitals, we also plan to seek suitable opportunities to provide these services to other hospitals that want to outsource such operations. Providing other hospitals with ancillary operations will help us diversify our customers, business segments and revenue streams.

Further Improve the Quality of Healthcare Services Provided by Our In-network Hospitals and Clinics

We intend to continue focusing on improving the quality of our healthcare services and patient satisfaction. We plan to attract more experienced doctors and medical personnel and share Group-wide best practices and knowledge among our in-network hospitals. We plan to have each of our in-network hospitals focus on developing acute care and selected specialty departments, such as cardiology, oncology and neurology. We also plan to obtain additional JCI or other similar accreditation for our in-network hospitals to enhance our reputation. In addition, we have been making investments to upgrade the medical facilities and equipment of our in-network hospitals and clinics. We believe that improving healthcare services provided by our in-network hospitals is critical to staying competitive in their respective markets.

Expand Premium Healthcare Services for High-end Patients

We intend to leverage our reputation as a quality healthcare service provider and our JCI accreditation to continue developing premium healthcare services. We provide premium healthcare services through our "Phoenix Easylife Club" (鳳凰益生會) to patients who are willing to pay a higher price for premium healthcare services. Unlike public not-for-profit hospitals, which are restricted from providing VIP services by the PRC government, our Jian Gong Hospital, as a private for-profit hospital, may freely provide premium high margin healthcare services to patients.

We also anticipate strong growth in China's medical tourism market, driven by price competitiveness, increasing acceptance of China as a medical tourism destination, and some overseas patients' desire to explore traditional Chinese medical treatment. We currently provide medical tourism services for overseas patients who are covered by international insurance companies. Strategically located in Beijing, the national medical center of China, we believe we are well-positioned to take advantage of anticipated growth in China's medical tourism market.

OUR BUSINESS MODEL

Our innovative business model allows us to capture multiple parts of the value chain and to unify the management and service standards throughout our network of hospitals and clinics in order to increase efficiency, and diversify our revenue sources. We generate revenue from (i) general hospital services provided at Jian Gong Hospital, (ii) hospital management services where we manage and collect management fees from our IOT hospitals and clinics, and (iii) supply chain business where we supply pharmaceuticals, medical devices and medical consumables to our in-network hospitals and clinics. We believe that we are able to replicate this innovative business model as we expand our hospital network.

General Hospital Business

We generate revenue from provision of general healthcare services and our Phoenix VIP Services at Jian Gong Hospital. We own 80% equity interest in Jian Gong Hospital, which is the only hospital we operate through direct equity interest ownership. Jian Gong Hospital was also the first public hospital in Beijing owned by an SOE to undergo privatization. Jian Gong Hospital is a for-profit Grade II general hospital and, according to the Frost & Sullivan Report, is the largest for-profit hospital in Beijing in terms of revenue in 2012. It offers medical diagnosis and treatment and preventive care, provides medical research and instruction and, as of June 30, 2013, had 34 clinical departments and centers, including endocrinology, cardiovascular, orthopedic, neurology, urology surgery, thoracic surgery, gynecology and obstetrics, pediatrics, gastroenterology, ICU and rehabilitation medicine. For more details, see "— Our Hospital Network — Jian Gong Hospital".

Managing Jian Gong Hospital allows us to accumulate valuable experience in hospital management and apply such experience to IOT hospitals and clinics. This enables us to improve the performance of IOT hospitals and clinics in a relatively short period of time. In 2010, 2011, 2012 and the six months ended June 30, 2013, we generated revenue of RMB288.4 million, RMB324.0 million, RMB403.1 million and RMB214.7 million from our general hospital business, respectively, representing 73.2%, 63.6%, 53.2% and 51.2% of our total revenue in the corresponding period. Segment results of our general hospital services were RMB38.6 million, RMB41.2 million, RMB40.8 million and RMB16.3 million in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively, representing 56.8%, 42.2%, 23.9% and 19.6% of the total segment results in the corresponding period, respectively. For the definition of our segment results, see "Financial Information — Description of Components of Results of Operations — Segment Results".

Hospital Management Business

We manage and operate, and receive management fees from our IOT hospitals and clinics. Our IOT hospitals and clinics include Yan Hua Hospital Group, Mentougou Hospital, Jing Mei Hospital Group and Mentougou Traditional Chinese Medicine Hospital. As of June 30, 2013, our IOT hospitals and clinics consisted of 10 general hospitals, one traditional Chinese medicine hospital and 28 community clinics. Under the IOT model, we agree to make a fixed investment to improve the medical facilities and clinical services of a hospital in exchange for the right to manage and operate the hospital and receive performance-based management fees for a period ranging from 19 to 48 years. Some hospitals are required to repay our investment in annual installments over the tenure of IOT agreement. We typically have the right to appoint key senior managers, such as the chief operating officer and the chief financial officer, and the right to recommend or appoint hospital administrators at the IOT hospitals. For more details regarding the major terms of each IOT agreement, see "— Our Hospital Network".

Pursuant to our IOT agreements, we are entitled to receive management fees, typically calculated based on a percentage of the annual hospital revenue and/or net income before tax (收支結餘) with certain adjustments and limitations primarily relating to the IOT hospitals' net income before tax (收支結餘). In 2010, 2011, 2012 and the six months ended June 30, 2013, we generated aggregate management fees of RMB16.3 million, RMB19.4 million, RMB40.3 million and RMB9.9 million, respectively, representing 4.1%, 3.8%, 5.3% and 2.4% of our revenue in the corresponding period. Segment results of our hospital management services were RMB13.9 million, RMB19.3 million, RMB26.6 million and RMB2.5 million in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively, representing 20.4%, 19.7%, 15.6% and 3.0% of the total segment results in the corresponding periods. For more details, see "Financial Information — Results of Operations — Six Months Ended June 30, 2013 and June 30, 2012".

Public hospital reform in China provides us with opportunities to grow our hospital network. As an early entrant to China's public hospital reform, we are visited and consulted by public hospital owners and regulators from time to time and may identify growth opportunities through these exchanges. These meetings and visits also serve as a platform for us to promote our hospital management skills, the IOT model and our successful public hospital reform track record. Once we identify a suitable target, we would discuss the specific terms of our involvement with its owner. These negotiations are usually conducted on a private, arm's-length basis, subject to the approval of local regulators.

As advised by our PRC legal adviser, all of our IOT agreements are valid, legally binding and enforceable, and does not violate any PRC laws, rules or regulations.

Supply Chain Business

Our supply chain business centralizes the procurement functions of all our in-network hospitals and clinics, and coordinates and manages the procurement and logistics of pharmaceuticals, medical devices, medical consumables and equipment on a Group basis. Therefore, we are able to generate supply chain business revenue by selling pharmaceuticals, medical devices and medical consumables to our in-network hospitals and clinics.

We derive a significant portion of our revenue and profit from procuring pharmaceuticals, medical devices and medical consumables from suppliers at the negotiated prices and selling them to our in-network hospitals and clinics at the "bidding price" or other price ceilings set by the local government authority. Under the terms of our IOT agreements, we have the right to manage the relevant hospitals. As a result, we are able to control, consolidate and manage the procurement of these hospitals and clinics, including causing these hospitals and clinics to procure pharmaceuticals, medical devices and medical consumables from our supply chain business. Our procurement services also include arranging for our in-network hospitals and clinics to purchase directly from suppliers arranged by us. For more details, see "— Supply Chain Business — Group Procurement" and "— Price Control and Pricing". As a result, the growth of our supply chain business is largely tied to the combined demand of our in-network hospitals and clinics, which are primarily driven by the expansion of our hospital network and the increase in patient visits at our in-network hospitals and clinics. In addition, we negotiate volume discounts and payment terms with our suppliers based on the combined procurement volume of all in-network hospitals and clinics, which also enable us to obtain higher discounts and better payment terms from our suppliers than our individual in-network hospital would have been able to. Doctors at our in-network hospitals and clinics usually prescribe pharmaceuticals from inventory maintained at the respective hospital.

Procurement process

We adopt a standardized procurement procedure for all of our in-network hospitals and at the Group level. Each of our in-network hospitals consolidates and regularly reports its pharmaceuticals, medical devices and medical consumables and equipment needs to our centralized procurement management team. The hospital makes its own independent judgment as to what types of pharmaceuticals, medical devices and medical consumables, or equipment to purchase.

After reviewing the requests, the hospital procurement manager submits the request to our procurement management team. The procurement management team of our supply chain business consolidates the relevant information from every hospital and develops a master procurement list for all of our in-network hospitals. Consolidating the procurement requests of each of our in-network hospitals and clinics makes the procurement process more efficient, cost-effective and simple. The standardized procurement procedures are also easier to follow compared to the *ad hoc* procurement practices employed by each of our in-network hospitals before we started managing them.

As of June 30, 2013, our centralized procurement management at the Group level has a department of 26 dedicated procurement staff and professionals who manage each stage of the procurement process, including contracting, purchasing, and inventory management.

Group procurement

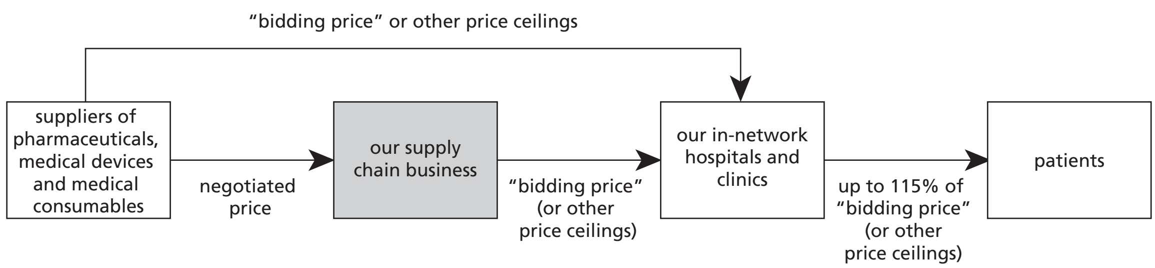
We negotiate for the procurement of our in-network hospitals and clinics with suppliers based on the combined procurement volume at the Group level. By consolidating the procurement needs of our in-network hospitals and clinics, we are able to leverage our collective purchasing power in contract negotiations with pharmaceutical distributors as well as medical device manufacturers and distributors. For specific purchases, we either purchase pharmaceuticals, medical devices and medical consumables and resell the same to our in-network hospitals, or have our in-network hospitals purchase directly from suppliers arranged by us. For more details, see "— Price Control and Pricing". If we are not licensed to sell, certain goods (such as toxic pharmaceuticals, anesthetics, psychotropics and radiopharmaceuticals), we generally arrange for our in-network hospitals and clinics to purchase such goods directly from suppliers. Our ability to negotiate volume discounts is especially effective when we negotiate for the purchase of high-value items, such as medical equipment. We normally arrange for our in-network hospitals to purchase medical equipment directly from suppliers after we have negotiated price discounts for them.

We generate a significant portion of revenue from selling pharmaceuticals, medical devices and medical consumables to our in-network hospitals and clinics. In 2010, 2011, 2012 and the six months ended June 30, 2013, we generated revenue of RMB89.3 million, RMB166.1 million, RMB314.6 million and RMB195.1 million from our supply chain business, respectively, representing 22.7%, 32.6%, 41.5% and 46.5% of our total revenue in the corresponding period. Segment results of our supply chain business were RMB15.5 million, RMB37.1 million, RMB103.0 million and RMB64.2 million in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively, representing 22.8%, 38.1%, 60.5% and 77.3% of the total segment results in the corresponding period.

PRICE CONTROL AND PRICING

The prices of most pharmaceuticals, medical devices and medical consumables in China sold to medical institutions and to patients are subject to government price and profit margin controls. When sold to medical institutions in China, the wholesale prices of those pharmaceuticals, medical devices and medical consumables on the price control list may not exceed the "bidding prices" or other price ceilings set by the relevant government authority. The retail prices of most pharmaceuticals sold by medical institutions to patients must adhere to a fixed 15% profit margin ceiling set by the PRC government. As a result, the retail price may not exceed 115% of the "bidding price" for most pharmaceuticals. The retail prices of medical devices and medical consumables are subject to similar restrictions. For more details, see "PRC Laws, Rules and Regulations — Laws and Regulations on Pharmaceutical Distribution — Regulations on Centralized Pharmaceutical Procurement by Medical Institutions" and "PRC Laws, Rules and Regulations — Regulations on the Supervision over the Procurement of Medical Consumables". Consequently, consistent with the industry practice, our in-network hospitals and clinics generally purchase pharmaceuticals, medical devices and medical consumables at the "bidding price" to maximize their gross profit from sale to patients.

Accordingly, our supply chain business purchases pharmaceuticals, medical devices and medical consumables at the prices we have negotiated with our suppliers and then resell them to our in-network hospitals and clinics at the "bidding price" set by the government authorities. The following diagram illustrates our supply chain's position in the value chain and the price control (if any) at each part of the value chain:



As we further integrate the operations of our in-network hospitals and clinics, we plan to gradually increase the types of pharmaceuticals, medical devices and medical consumables that we sell to our in-network hospitals and clinics through our supply chain business. For more details on the expected impact of further integration on our financial performance, see "Financial Information — Revenue Mix" and "Financial Information — Description of Components of Results of Operations — Gross Profit — Supply Chain Business".

In terms of healthcare service pricing, if a medical institution is a Medical Insurance Designated Medical Institution (醫保定點醫療機構), it may only charge fees for provision of healthcare services in accordance with the pricing guidelines set by the relevant local healthcare administrative authorities. Such pricing guidelines stipulate the range of healthcare services fees that can be charged for patients covered by public medical insurance programs. The local healthcare administrative authority, Beijing Municipal Commission of Development and Reform, last adjusted service fees for ostomy care (造口護理) on August 16, 2010, which was the only healthcare service pricing adjustment during the Track Record Period. For patients not covered by public medical insurance programs, a medical institution is not subject to such pricing guidance. Medical institutions without such designation are also not subject to such pricing restrictions and are entitled to set healthcare services fees based on their cost structures, market demand and other factors.

In the future, changes in regulations may affect our healthcare service fees and "bidding price". For more details, see "Risk Factors — Risk Factors Related to Our Business and Industry — We derive a significant portion of revenue from our supply chain business, and its profitability may decline if the PRC government imposes additional price controls on pharmaceuticals, medical devices and medical consumables".

EXPANSION AND MANAGEMENT OF HOSPITAL NETWORK

Sourcing and assessment of potential hospital targets

We systematically review and screen potential hospital targets. We are either approached by hospital owners as a result of our reputation and track record, or we identify and initiate contact with hospital owners of potential hospital targets. To increase economies of scale and to leverage our existing capabilities, expertise and reputation, we strategically target Grade II and Grade III hospitals that are Medical Insurance Designated Medical Institutions in all districts in Beijing, and have more than 300 beds in operation. In China, Grade III hospitals are the largest regional hospitals, typically having more than 500 beds, and Grade II hospitals typically have 101 to 500 beds, providing multiple communities with integrated healthcare services. For more details on grades of hospitals, see "Industry Overview — Healthcare Service Market Participants in China — Provider Aspect — Grades of Hospitals". We prefer hospitals with a leading market share in its respective areas with large number of patient visits. When negotiating the potential acquisition or PPP terms with hospital owners or promoters, we consider the following key factors: current financial and operating performance of the hospital, initial investment amount required to improve hospital infrastructure and quality of healthcare services, ongoing operating expenses and capital expenditures, and potential return primarily from management fee and supply chain business revenue perspectives. In particular, the initial investment amount under IOT agreements are calculated with references to investment payback period and/or a certain target internal rate of return, taking into account certain factors, including the current revenue, location of the hospital and future growth potential.

As of June 30, 2013, pursuant to the relevant IOT agreements, we made investments that will not be returned to us for acquisition of the management right of Yan Hua Hospital and Jing Mei Hospital of RMB72 million and RMB150 million, respectively. During the Track Record Period, we had made repayable investments in the total amount of RMB177 million to our IOT Hospitals and clinics under IOT agreements. During the Track Record Period, we have generated from such investment in the aggregate of: (i) revenue from hospital management service of RMB85.9 million; (ii) gross profit from our supply of pharmaceuticals and medical devices and medical consumables to IOT hospitals and clinics under our supply chain business of RMB131.4 million; and (iii) repayment of our repayable investment amounts to the IOT Hospitals from the relevant IOT hospitals and clinics, pursuant to the terms of the relevant IOT agreements, of RMB9.6 million.

Investment in and integration of the hospitals

Once we begin managing a hospital, we invest in and strive to improve its infrastructure, management and governance. We focus on formulating its development strategies by taking into account recommendations from the hospital owner. Depending on the hospital's needs and available financial resources, we either upgrade existing facilities or construct new facilities. We also upgrade medical equipment of the hospitals. It is crucial for us to integrate a new hospital's management and operations into our hospital network to realize synergies. We achieve such integration by reviewing each hospital's annual budget and forecast, introducing our Group-wide management techniques to such hospital, establishing an executive committee that makes key operating decisions for hospitals, and appointing hospital administrators and senior management members to control the day-to-day hospital operations. By establishing and implementing a performance-based review procedure and compensation scheme for hospital staff, we actively monitor the implementation and effectiveness of our management and strategies. To better integrate a new hospital into our hospital network, we will usually install our uniform IT and hospital management systems in each in-network hospital. For more details on how we manage our in-network hospitals, see "— Unified Management of In-network Hospitals and Clinics".

Continuous improvement of hospitals

To further realize synergies among our in-network hospitals, we focus on operational improvement in three main aspects: centralization of functions, quality of healthcare services and staffing. Centralization of functions at hospitals is an important part of our vision to improve the quality of healthcare services, including procurement and supply chain management, logistics and inventory management, and Group-wide IT solutions. We usually strive to implement the JCI standards for each of our in-network hospitals to improve the overall quality and safety of healthcare services. We constantly review and adjust the mix and focus of clinical departments to leverage each hospital's unique strengths to enhance its reputation and profile. We focus on attracting and retaining quality hospital administrators and doctors by, among others, providing ongoing training to our medical staff and aligning their interest with hospitals' via performance based compensation scheme.

UNIFIED MANAGEMENT OF IN-NETWORK HOSPITALS AND CLINICS

During and after the integration of a hospital into our hospital network, we always focus on developing each hospital based on its location and specialties to achieve its potential. For example, we have established an internal governance committee to better coordinate and oversee the management teams that we appointed to our IOT hospitals and clinics in the Mentougou district. In addition, this committee oversees and coordinates the management and operations of these hospitals and clinics, as well as focuses on differentiating these hospitals and clinics to reduce unnecessary overlap and competition.

We control Jian Gong Hospital through our majority ownership and control the day-to-day operations of our IOT hospitals and clinics through our management rights in IOT hospitals and clinics pursuant to the relevant IOT agreements. Specifically, we manage and operate our in-network hospitals and clinics through the hospital administrators and senior management appointed or recommended by us. At the Group level, our Group senior management reviews and approves annual budgets, quarterly and monthly expense reports and internal audit reports and periodically meets with hospital administrators. We have also set up an internal audit department at the Group level to supervise the fulfillment of relevant development goals and evaluate the operational performance of each hospital.

In addition, we employ our standardized internal performance reviews throughout these hospitals to effectively evaluate the individual performance of senior officers, doctors, medical technicians, nurses and administrative staff. We evaluate their performance based on a range of criteria, such as financial performance, efficiency and safety record.

We allocate resources and make investments in our in-network hospitals and clinics to support their business growth and operations based on our Group-wide strategy and the annual budgets of each hospital.

The operations of our in-network hospitals and clinics are delegated to the hospital administrator and other senior management at each hospital. The hospital administrator and other senior management appointed or recommended by us are responsible for the hospital's operation and have significant decision-making authority in hospital operations, including the authority to hire, promote and discipline doctors and other hospital personnel, to determine the compensation and incentive payments for all hospital staff and to plan and implement the budget and oversee the implementation of policies established both by the PRC government and by our Group. We maintain regular discussions with the hospital administrators to obtain updates on the financial performance and the operations of these hospitals including reviewing the monthly management accounts of these hospitals as well as assessing whether the policies and budgets established at the Group level are implemented as scheduled.

We carefully select, recommend and appoint hospital administrators for each of our in-network hospitals. They are usually experienced doctors who have strong academic and professional backgrounds and substantial management experience at hospitals or healthcare companies. In addition to hospital administrators, we usually appoint other key senior managers as well. For example, we appointed the chief operating officer, vice hospital administrator, and the chief financial officer to Jing Mei Hospital Group, which is our largest in-network hospital in terms of beds in operation and the number of employees as of June 30, 2013. The chief operating officer follows the hospital administrator's direction and focuses on hospital's daily operation and business performance, while the vice hospital administrator and the chief financial officer focus on the quality of healthcare services and the financial management, respectively. In order to improve our hospital administrators' and other key senior managers' management skill and unify the core value and culture of our Group, we provide mandatory trainings on the best practices of our in-network hospitals.

Our model of operating a network of hospitals rather than a single hospital creates various synergies including resource utilization, quality enhancement, cost reduction and profitability improvement. The following table sets forth certain operating data of our in-network hospitals and clinics during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
Number of owned and IOT hospitals[1]	3	11	12	12	12
Number of IOT clinics[1]	17	28	28	28	28
Number of beds in operation[1]	1,345	2,797	3,194	3,177	3,213
Patient visits (thousands)	1,366	2,256	3,050	1,397	1,509
Inpatient visits (thousands)	25	42	51	25	27
Outpatient visits (thousands)	1,341	2,214	2,999	1,372	1,482

1 The numbers presented are as of the end of the relevant period.

Segment Revenue by Hospital

The following table sets forth the segment revenue derived from our in-network hospitals during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Jian Gong Hospital					
General hospital services[1]	288.4	324.0	403.1	188.6	214.7
Supply chain business[2]	61.8	98.3	116.4	54.9	53.2
Yan Hua Hospital Group					
Hospital management services	16.3	18.0	22.6	6.4	1.9
Supply chain business	88.9	158.2	170.6	70.6	81.6
Mentougou Hospital					
Hospital management services[3]	N/A	1.4	5.4	1.0	2.4
Supply chain business	N/A	7.8	31.8	13.7	29.7
Jing Mei Hospital Group					
Hospital management services[4]	N/A	N/A	12.2	5.3	5.6
Supply chain business	N/A	0.1	110.0	36.0	77.0
Mentougou Traditional Chinese Medicine Hospital					
Hospital management services[5]	N/A	N/A	N/A	N/A	—
Supply chain business	N/A	N/A	2.2	N/A	6.6

1 General hospital services segment revenue also includes revenue generated by our Phoenix VIP services, carried out through Beijing Easylife, of RMB9.0 million, RMB5.2 million, RMB3.5 million, RMB1.9 million and RMB1.2 million in 2010, 2011, 2012 and the six months ended June 30, 2012 and June 30, 2013, respectively.

2 Segment revenue from sales to Jian Gong Hospital is recorded as inter-segment revenue and eliminated from our total revenue.

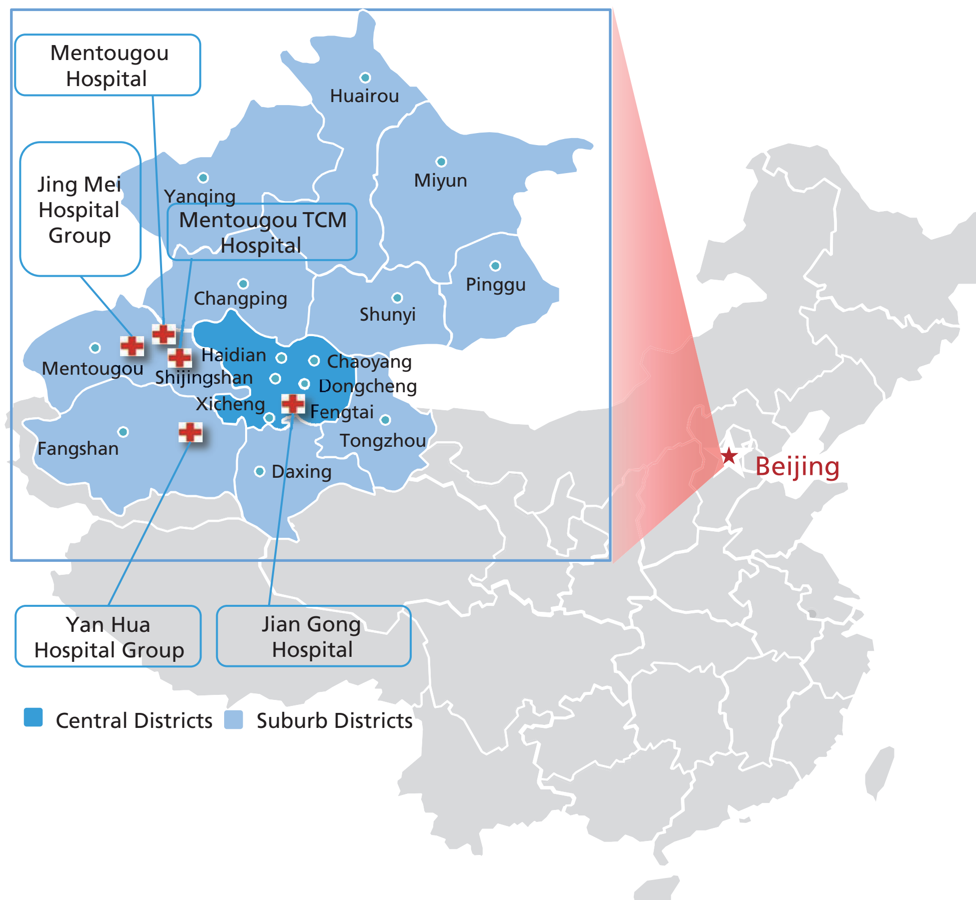
3 We began managing Mentougou Hospital in August 2010 and started to collect management fees in 2011.

4 We began managing Jing Mei Hospital Group in May 2011 and started to collect management fees in 2012.

5 We began managing Mentougou Traditional Chinese Medicine Hospital in June 2012 and became entitled to collect management fee in 2013, but did not recognize any during the Track Record Period.

OUR HOSPITAL NETWORK

We currently manage and operate a network of two Grade III hospitals, three Grade II hospitals, seven Grade I hospitals and 28 community clinics, with a total of 3,213 beds in operation in Beijing as of June 30, 2013. All of our in-network hospitals and clinics are located in west and southwest Beijing. Set out below is an illustration of the location of our in-network hospitals and clinics:



The following table sets forth certain key information of our in-network hospitals for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
Jian Gong Hospital					
Outpatient (thousands)	384.6	462.6	597.9	265.7	308.2
Inpatient (thousands)	8.4	9.6	11.5	5.6	5.5
Average spending per outpatient visit (RMB)	432	415	417	403	431
Healthcare services	143	154	177	166	176
Pharmaceuticals	289	261	239	237	255
Average spending per inpatient visit (RMB)	12,961	12,382	13,127	13,645	14,788
Healthcare services	8,447	8,049	8,277	8,564	9,365
Pharmaceuticals	4,514	4,333	4,849	5,080	5,423
Yan Hua Hospital Group					
Outpatient (thousands)	614.8	701.5	778.1	350.9	388.0
Inpatient (thousands)	12.4	12.5	13.5	6.4	6.8
Average spending per outpatient visit (RMB)	386	398	423	404	456
Healthcare services	108	101	104	95	105
Pharmaceuticals	278	297	319	309	350
Average spending per inpatient visit (RMB)	12,448	12,925	14,230	14,249	14,996
Healthcare services	7,000	7,316	7,729	7,955	7,811
Pharmaceuticals	5,448	5,609	6,501	6,294	7,184
Mentougou Hospital					
Outpatient (thousands)	341.6	374.8	482.1	218.0	249.3
Inpatient (thousands)	4.6	5.5	8.8	4.0	4.6
Average spending per outpatient visit (RMB)	245	276	312	284	342
Healthcare services	88	101	116	105	112
Pharmaceuticals	158	175	196	179	230
Average spending per inpatient visit (RMB)	13,079	12,109	13,110	12,189	14,160
Healthcare services	7,945	7,613	8,043	7,912	8,776
Pharmaceuticals	5,134	4,496	5,067	4,278	5,384
Jing Mei Hospital Group					
Outpatient (thousands)	518.7	675.0	791.3	366.4	371.6
Inpatient (thousands)	12.2	14.8	16.3	7.8	9.1
Average spending per outpatient visit (RMB)	312	313	332	340	420
Healthcare services	85	86	101	99	116
Pharmaceuticals	227	227	231	240	305

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
Average spending per inpatient visit (RMB)	18,998	17,396	17,823	18,205	17,856
Healthcare services	10,646	10,361	11,278	11,440	11,232
Pharmaceuticals	8,352	7,035	6,546	6,765	6,625
Mentougou Traditional Chinese Medicine Hospital					
Outpatient (thousands)	271.5	320.0	349.0	170.9	165.0
Inpatient (thousands)	1.8	1.7	1.2	0.9	0.5
Average spending per outpatient visit (RMB)	260	258	259	251	295
Healthcare services	53	49	43	45	48
Pharmaceuticals	207	209	216	206	247
Average spending per inpatient visit (RMB)	9,934	9,715	8,843	8,307	8,818
Healthcare services	4,445	4,810	4,333	4,094	4,572
Pharmaceuticals	5,489	4,905	4,511	4,213	4,246

For detailed information of each of our in-network hospitals, see the disclosure relating to each hospital in this section.

The hospitals under our management include the following:

Jian Gong Hospital

We own 80% equity interest in Jian Gong Hospital, which is the only hospital we operate through direct equity interest ownership. Jian Gong Hospital was the first public hospital in Beijing owned by an SOE to undergo privatization. For more details, see "History and Reorganization — Acquisition of Jian Gong Hospital" and "History and Reorganization — The Reorganization — Transfer and Repurchase of 10% of the Equity Interest of Jian Gong Hospital by Beijing Phoenix".

Jian Gong Hospital is a for-profit Grade II general hospital and, according to the Frost & Sullivan Report, is the largest for-profit hospital in Beijing in terms of revenue in 2012. It offers medical diagnosis and treatment and preventive care, provides medical research and instruction and, as of June 30, 2013 had 34 clinical departments and centers, including endocrinology, cardiovascular, orthopedic, neurology, urology surgery, thoracic surgery, gynecology and obstetrics, pediatrics, gastroenterology, ICU and rehabilitation medicine.

Jian Gong Hospital underwent a rigorous accreditation process and was certified as a JCI hospital in 2010, becoming the eighth JCI accredited general hospital in China, and the third privately-operated hospital in Beijing to receive such accreditation. It also obtained the ISO9001 international quality standard certification in 2003. Jian Gong Hospital is one of the 19 Class A Medical Insurance Designated Medical Institutions in Beijing. This qualification allows patients to obtain medical treatment under public medical insurance programs without pre-approval from medical insurers. As of June 30, 2013, Jian Gong Hospital had 764 employees, including 219 doctors and 386 other medical professionals, and 400 beds in operation. The 219 doctors of Jian Gong Hospital consisted of 19 chief doctors, 54 associate-chief doctors, 82 attending doctors and 64 were resident doctors. Other medical professionals include nurses and medical technicians.

To diversify our healthcare service offerings and explore alternative revenue sources, Jian Gong Hospital also offers our Phoenix VIP services through "Phoenix Easylife Club" (鳳凰益生會) to patients who are willing to pay a higher price for premium healthcare services. We also receive and treat patients from overseas, who seek medical treatment in China for a variety of reasons, such as more expensive medical care in their home countries and a desire to explore traditional Chinese medicine. We usually receive and treat such overseas patients under arrangements with international insurance companies, such as AXA Assistance and ERV China. Prices for such services are generally set by us, taking into account global market demand for services, as the healthcare service fees paid by the international insurance companies are not subject to price controls in China. We plan to grow our premium healthcare services by expanding the pool of eligible overseas patients and the list of medical insurance providers that we accept, and we are currently discussing partnership opportunities with additional international medical insurance companies.

To provide 24-hour, high quality care for our patients, we allow independent caregiver service providers to offer their caring and accompany services to patients at Jian Gong Hospital, such as assistance in food feeding and laundry for patient personal clothes. We select and review caregiver service providers primarily based on their reputation, service quality and business arrangement. From 2009 to 2011, Jian Gong Hospital had allowed a caregiver service provider, Beijing Jinmengtai Service Co., Ltd. (北京金萌泰勞務服務有限公司 or "Jinmengtai") to provide caregiver services at Jian Gong Hospital. Upon the expiry of our agreement with Jinmengtai, Jian Gong Hospital entered into a one-year agreement with another caregiver service provider, Beijing Yixin Sincere Service Co., Ltd. (北京易欣誠摯勞務服務有限公司 or "Yixin"), in May 2012 and extended that agreement for another year until April 30, 2014. Pursuant to the contract with Yixin, Yixin provides 24-hour caregiver services for a fee paid by our patients, while Jian Gong Hospital provides office facilities and has the right to supervise the quality of Yixin's service and conduct random quality inspections. We are entitled to a quarterly fee of RMB60,000 from Yixin for permitting it to provide services on the premises of Jian Gong Hospital. Both Jingmengtai and Yixin are Independent Third Parties.

The following table sets forth certain key information relating to Jian Gong Hospital for the period indicated below:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
Outpatient visits (thousands)	384.6	462.6	597.9	265.7	308.2
Average spending per outpatient visit (RMB)	432	415	417	403	431
Healthcare services	143	154	177	166	176
Pharmaceuticals	289	261	239	237	255
Inpatient visits (thousands)	8.4	9.6	11.5	5.6	5.5
Average spending per inpatient visit (RMB)	12,961	12,382	13,127	13,645	14,788
Healthcare services	8,447	8,049	8,277	8,564	9,365
Pharmaceuticals	4,514	4,333	4,849	5,080	5,423
ALOS (days)	12.5	11.4	10.5	10.9	10.0
Number of beds in operation as of the end of the relevant period	382	382	399	382	400
Occupancy rate	76.6%	78.9%	85.8%	89.9%	76.5%
Number of inpatient surgeries (thousands)	2.6	3.1	2.9	1.8	1.2
Total employees	703	718	757	734	764
Of which, doctors	194	194	210	206	219
Of which, other medical professionals	339	351	387	334	386
Our revenue derived from Jian Gong Hospital (millions of RMB)				(unaudited)	
General hospital services[1]	288.4	324.0	403.1	188.6	214.7
Supply chain business[2]	61.8	98.3	116.4	54.9	53.2

1 General hospital services segment revenue also includes revenue generated by our Phoenix VIP services, carried out through Beijing Easylife, of RMB9.0 million, RMB5.2 million, RMB3.5 million, RMB1.9 million and RMB1.2 million in 2010, 2011, 2012 and the six months ended June 30, 2012 and June 30, 2013, respectively.

2 Segment revenue from sales to Jian Gong Hospital is recorded as inter-segment revenue and eliminated from our total revenue.

Yan Hua Hospital Group

Yan Hua Hospital Group includes Yan Hua Hospital, a not-for-profit and the only Grade III general hospital in the Fangshan District of Beijing, Xingcheng Hospital, a branch of Yan Hua Hospital, and 17 community clinics, primarily serving residents in the Fangshan District. Yan Hua Hospital has remained a not-for-profit medical institution after its privatization, as it is accredited as a regional medical center by the Fangshan District government and is entrusted with significant public health and contingency planning responsibilities. As of June 30, 2013, Yan Hua Hospital had 42 clinical departments and centers, including cardiovascular, orthopedics, endocrinology, neurosurgery, oncology, ICU and cardiac care unit. Yan Hua Hospital is equipped with advanced medical equipment, such as dual-source CT, color ultrasound diagnostic system, and arthroscopy and accessories. Yan Hua Hospital was accredited as a JCI hospital in 2010. Yan Hua Hospital is a Medical Insurance Designated Medical Institution in Beijing. As of June 30, 2013, Yan Hua Hospital Group had 1,150 employees, including 265 doctors and 545 other medical professionals, and 554 beds in operation. The 265 doctors of Yan Hua Hospital Group consisted of 18 chief doctors, 55 associate-chief doctors, 112 attending doctors and 80 resident doctors.

Yan Hua IOT Agreement

We began to manage Yan Hua Hospital Group under the IOT model in February 2008. The Yan Hua IOT Agreement was entered into among Yan Hua Phoenix, Yan Hua Hospital Group and us in February 2008 and amended in April 2008, December 2010, June 2011, June 2013, July 2013, September 2013 and October 2013. Set forth below is a summary of major terms of the Yan Hua IOT Agreement. For more details, see "Connected Transactions — Non-Exempt Continuing Connected Transactions with Yan Hua Hospital Group — (A) Yan Hua IOT Agreement".

As advised by our PRC legal adviser, the entering of the Yan Hua IOT Agreement does not require approval from any PRC regulatory authority according to PRC laws, rules and regulations. As such, we did not specifically consult with any PRC regulatory authority on the legality of the Yan Hua IOT Agreement. However, Yan Hua Hospital Group, as a not-for-profit hospital registered as a private non-enterprise organization, is supervised by the Beijing Social Organizations Management Bureau (北京市社會團體管理辦公室), which is the PRC government authority responsible for enforcing the relevant PRC laws, rules and regulations. The Beijing Social Organizations Management Bureau (北京市社會團體管理辦公室) is required to conduct annual inspection and other regulatory matters on Yan Hua Hospital Group, including approving the amendments to the Articles of Association of Yan Hua Hospital Group, which were made as a result of the Yan Hua IOT Agreement. The amendments were duly approved by the same PRC government authority. In addition, Yan Hua Hospital Group has historically been able to obtain, and currently maintains, the requisite licenses from relevant PRC regulatory authorities to conduct its operations. Our PRC legal adviser also confirms that the Yan Hua IOT Agreement (a) is valid, legally binding and enforceable, (b) does not violate any PRC laws, rules or regulations and (c) does not affect the renewal of relevant licenses that Yan Hua Hospital Group requires to continue its operation in the present form and scale.

Investment amount

Pursuant to the Yan Hua IOT Agreement, we agreed to make an initial capital investment of RMB72.0 million and provide certain services to Yan Hua Hospital Group in consideration for the right to operate Yan Hua Hospital Group and to receive management fees until July 17, 2055. Furthermore, in consideration for enhancing the management fee payment structure, we committed to make additional repayable investments of not less than RMB150.0 million to support the long-term development of Yan Hua Hospital Group. We had completed the investment of RMB72.0 million that will not be returned to us and made an additional repayable investment in the amount of RMB77.0 million to Yan Hua Hospital Group. We have made another repayable investment in the amount of RMB10.0 million to Yan Hua Hospital Group in July 2013, with the remaining RMB63.0 million expected to be invested using the net proceeds of the Global Offering.

Scope of services and major rights and obligations

Pursuant to the Yan Hua IOT Agreement, we provide certain services to Yan Hua Hospital Group, including management and consulting services, brand building, financial support, human resources and academic research support, and improvement of medical facilities and information technology systems. Yan Hua Hospital and Yan Hua Phoenix have agreed not to negotiate with any third party regarding hospital management services without our prior consent.

Management fee structure, repayment of investment and financial performance

We are entitled to receive management fees for our services. Our annual management fees include a base management fee and an incentive fee. The calculation is based on the following formula: the base management fee equals to a fixed percentage of the first RMB150 million of the annual revenue of Yan Hua Hospital Group which will be paid in one lump sum at the end of each year; the incentive fee equals to a higher fixed percentage of the annual revenue in excess of RMB150 million, which is estimated and prepaid on a quarterly basis. Our additional committed investment paid to Yan Hua Hospital Group will be repaid to us in equal annual installments over the tenure of our management. The term of the Yan Hua IOT Agreement, which is subject to approval by our independent shareholders every three years, would not affect the investment repayment schedule. In any given year, the management fees we are entitled to should not exceed the Yan Hua Hospital Group's net income before tax (收支結餘) after annual repayment of investment.

At the end of each year, after the total base management fee and the incentive fee have been determined based on Yan Hua Hospital Group's results of operations, the quarterly incentive fees that have already been paid in that year are credited towards such amount, and any remaining balance is settled between the Yan Hua Hospital Group and us. If the total amount of the base management and annual incentive fee is lower than the aggregate amount of the quarterly incentive fees that have already been paid in that year, we are obligated to return the excess amount to Yan Hua Hospital Group. Pursuant to the Yan Hua IOT Agreement, Beijing Phoenix has agreed to compensate Yan Hua Hospital Group for losses incurred by Yan Hua Hospital Group in any calendar year such that Yan Hua Hospital would break even in that calendar year by setting off the compensation against the management fees in that calendar year. If the management fees in that year are insufficient, the compensation will be set off against the management fees in subsequent years until the loss is fully compensated. To date, Beijing Phoenix has not paid any such compensation to Yan Hua Hospital Group. Yan Hua Hospital Group has entered into an undertaking to Beijing Phoenix, dated the date of this prospectus, that it will not enforce the right to loss top-up payment from Beijing Phoenix as long as the Yan Hua IOT Agreement remains in force.

In each of 2010, 2011 and 2012, the management fees we were entitled to receive from Yan Hua Hospital Group did not exceed the Yan Hua Hospital Group's annual net income before tax (收支結餘) after annual repayment of investment. In the six months ended June 30, 2013, the management fees we were entitled to receive from Yan Hua Hospital Group was RMB1.9 million because such fees were capped at Yan Hua Hospital Group's net income before tax (收支結餘) in this period.

Yan Hua Hospital Group's executive committee

Yan Hua Hospital's executive committee (燕化醫院集團理事會) consists of five members, four of whom are appointed by Yan Hua Phoenix and one of whom is elected by an employee committee (職工代表大會). The executive committee exercises key decision-making powers over important business decisions at Yan Hua Hospital Group, such as the approval of annual hospital budgets and major investments, the establishment of new departments and the hiring of key personnel. Each member of the executive committee has one vote. Matters before the executive committee are decided by a simple majority of the executive committee. For more details, see "Relationship with Our Controlling Shareholders — Non-voting and Non-competition Undertakings".

Renewal and termination

The Yan Hua Hospital IOT Agreement expires on July 17, 2055. The term of the Yan Hua IOT Agreement is subject to approval by our independent shareholders every three years. Yan Hua Hospital Group and Yan Hua Phoenix may terminate the Yan Hua IOT Agreement unilaterally and claim compensation from us if we:

- violate any relevant laws, rules or regulations during the provision of management services, causing serious harm or impact over the operation or business of Yan Hua Hospital Group as a result of any penalty or investigation by the governmental department in charge of industry and commerce, health and hygiene, healthcare services and pharmacy or environmental protection;

- manage Yan Hua Hospital Group in conspiracy with any third party, causing serious harm to the Yan Hua Hospital Group; or

- cause serious harm to Yan Hua Hospital Group by any other acts.

We may unilaterally terminate the Yan Hua IOT agreement and seek damages from Yan Hua Hospital Group and Yan Hua Phoenix if any of the following occurs:

- the business conducted by Yan Hua Hospital Group lacks requisite licenses or permits and cannot be carried out despite remedial measures;

- Yan Hua Hospital Group and Yan Hua Phoenix withhold information concerning Yan Hua Hospital Group's assets, debt, business activities or other information that would affect the operation of Yan Hua Hospital Group or information concerning the occurrence of any event that may seriously undermine our management of Yan Hua Hospital Group;

- Yan Hua Hospital Group and Yan Hua Phoenix exercise management authority in a manner contrary to our instructions, or intentionally undermine our management activities to a significant extent; or

- Yan Hua Hospital Group does not pay us the management fees on time.

The Yan Hua IOT Agreement may also be terminated upon mutual consent or due to the change in government policies. If the Yan Hua IOT Agreement is terminated due to the change in government policies, Yan Hua Phoenix is required to return the amount invested by us based on certain pre-determined formulas set forth in the Yan Hua IOT Agreement. We do not anticipate termination of the Yan Hua IOT Agreement in the near future. For more details on risks associated with the termination of our IOT agreements, see "Risk Factors — Risk Factors Related to Our Business and Industry — If our IOT partners decide to terminate or not to renew our IOT agreements, our business may suffer".

The following table sets forth certain information relating to Yan Hua Hospital Group for the period indicated below:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
Outpatient visits (thousands)	614.8	701.5	778.1	350.9	388.0
Average spending per outpatient visit (RMB)	386	398	423	404	456
Healthcare services	108	101	104	95	105
Pharmaceuticals	278	297	319	309	350
Inpatient visits (thousands)	12.4	12.5	13.5	6.4	6.8
Average spending per inpatient visit (RMB)	12,448	12,925	14,230	14,249	14,996
Healthcare services	7,000	7,316	7,729	7,955	7,811
Pharmaceuticals	5,448	5,609	6,501	6,294	7,184
ALOS (days)	16.8	16.0	15.4	15.9	15.6
Number of beds in operation as of the end of the relevant period	663	663	663	663	554[1]
Occupancy rate	85.3%	83.4%	87.3%	84.8%	107.8%
Number of inpatient surgeries (thousands)	3.6	4.9	2.9	2.0	1.2
Total employees	1,021	1,026	1,137	1,103	1,150
Of which, doctors	268	261	270	267	265
Of which, other medical professionals	455	459	531	523	545
Our revenue derived from Yan Hua Hospital Group (millions of RMB)				(unaudited)	
Hospital management services	16.3	18.0	22.6	6.4	1.9
Supply chain business	88.9	158.2	170.6	70.6	81.6

1 Number of beds in operation decreased from 663 as of December 31, 2012 to 554 as of June 30, 2013 due to our decision to further improve the quality of healthcare services and inpatients' experience at Yan Hua Hospital Group by reducing the number of beds in operation. We expect the number of beds in operation at Yan Hua Hospital Group to remain at a similar level in the near future.

Mentougou Hospital

Mentougou Hospital is a not-for-profit hospital located in the Mentougou District of Beijing and is owned by the Mentougou District government. It is a Grade II general hospital providing comprehensive healthcare services to approximately 300,000 local residents in the Mentougou District and the surrounding areas. Mentougou Hospital was also the first government-owned hospital in Beijing to outsource its management through a PPP. As of June 30, 2013, Mentougou hospital had 28 clinical departments and centers, including cardiovascular, neurology, stomatology, and dermatology. Mentougou Hospital is a Medical Insurance Designated Medical Institution in Beijing. As of June 30, 2013, Mentougou Hospital had 840 employees, including 223 doctors and 383 other medical professionals, and 421 beds in operation. The 223 doctors of Mentougou Hospital consisted of 20 chief doctors, 45 associate-chief doctors, 88 attending doctors and 70 resident doctors.

Mentougou IOT Agreement

We began to manage Mentougou Hospital under the IOT model in August 2010. The Mentougou IOT Agreement was entered between the Mentougou District government and us in July 2010 and was amended in 2011.

Investment amount

Pursuant to the Mentougou IOT Agreement, we have made a repayable investment in the amount of RMB75.0 million in Mentougou Hospital for hospital operations and developments, in exchange for the right to operate Mentougou Hospital and receive annual management fees until December 31, 2030. As of June 30, 2013, all investments required under the Mentougou IOT Agreement have been fully made.

Scope of services and major rights and obligations

Pursuant to the Mentougou Hospital IOT Agreement, we provide certain services to Mentougou Hospital, including management services, clinical department and brand building, and improvement of healthcare service quality and hospital environment. We are entitled to receive management fees in exchange for our services. Mentougou District government has the right to supervise our management of Mentougou Hospital. The Mentougou District government will continue to provide financial aid to Mentougou Hospital because Mentougou Hospital is an important local public healthcare service provider. The Mentougou District government has also agreed not to negotiate with any other third party regarding hospital management services and not to dispose of its equity ownership of Mentougou Hospital without our prior written consent.

Management fee structure, repayment of investment and financial performance

Our management fee is determined based on the annual net income (收支結餘) of Mentougou Hospital, subject to annual performance rating assessment, and is partially paid by the Mentougou District government. Our investment pursuant to the Mentougou IOT Agreement will be returned to us in equal annual installments over the tenure of our management.

Our annual management fees under the Mentougou IOT Agreement consist of a base management fee and an incentive fee. The base line for management fee calculation ("Baseline") is set for 2011 and increases by a fixed annual increments up to 2015. The calculation of Mentougou Hospital's management fees for the first five years is based on the following formula: If the net income (收支結餘) prior to deducting the incentive fee is less than the Baseline for that year, the base management fee of that year equals to a fixed percentage of the net income (收支結餘) multiplied by a "performance rating result", which must exceed certain minimum performance rating requirement; and if the net income (收支結餘) prior to deducting the incentive fee is equal to or greater than the Baseline for that year, the base management fee of that year equals to a fixed percentage of the Baseline for that year multiplied by the performance rating result. The incentive fee equals to a fixed percentage of the net income (收支結餘) *less* the Baseline for that year multiplied by the performance rating result. As a government-owned public hospital, Mentougou Hospital is exempt from any income tax.

The performance rating result is a weighted average assessment by the Mentougou District government, the board of supervisors of the hospital and an independent appraisal agency, with their rating weighing 30%, 30% and 40%, respectively. The performance assessment focuses on the quality of healthcare services provided at Mentougou Hospital, including patient satisfaction level, improvement of hospital facilities and operation efficiency, sharing of public health responsibilities, and implementation of JCI standards. We will not be entitled to any management fee if our performance rating falls below the minimum performance rating requirement or if the number of patient visits or the net income (收支結餘) of the hospital fails to demonstrate growth for the year. We have exceeded the minimum performance requirement since we started to manage Mentougou Hospital in August 2010. In the six months ended June 30, 2013, we recorded management fees from Mentougou Hospital based on the minimum required performance rating result.

The Mentougou IOT Agreement also provides that, in the event that a loss of state-owned assets exceeding RMB100,000 was due to our failure to manage the hospital properly, we are required to compensate such loss and pay a penalty fine ranging from RMB100,000 to RMB1 million.

Mentougou Hospital's executive committee

Pursuant to the Mentougou IOT Agreement, the Mentougou District government approved the establishment of an executive committee (門頭溝區醫院集團理事會), which consists of eight members comprising equal number of representatives from us and the Mentougou District government. The chairman of the executive committee (理事長), who has the right to cast the tie-break vote, is appointed by the Mentougou District government, and the acting executive (執行理事) is appointed by us. This executive committee is in charge of important business activities of Mentougou Hospital, such as the approval of annual hospital budgets and major investments, as well as the appointment, review and removal of the hospital administrator and other senior hospital managers. Each member of the executive committee has one vote. In general, matters before the executive committee are decided by a simple majority of the executive committee; however, important business matters, such as the approval of development plan, annual hospital budgets, major investments, establishment of new departments, and the appointment of hospital administrator, require two thirds of the executive committee as well as approval from relevant government authorities.

Renewal and termination

The Mentougou Hospital IOT Agreement expires on December 31, 2030, and may be renewed upon mutual consent. The Mentougou District government may unilaterally terminate the Mentougou IOT Agreement and seek damages from us if we fail to do any of the following:

- manage the hospital properly, causing major medical safety incidents with significant negative publicity;
- follow the government's instructions in major public health incidents, causing significant negative publicity;
- manage the hospital properly, causing disturbances among the hospital employees and obstructing normal hospital operations; or
- reach the minimum performance review requirements in three consecutive years.

We may unilaterally terminate the Mentougou IOT Agreement and seek damage from the Mentougou District government if the Mentougou District government fails to fulfill its obligations under this agreement or certain unforeseeable events prevent the Mentougou Hospital's executive committee from operating normally.

The Mentougou IOT Agreement may also be terminated upon mutual consent or due to the change in government policies. If the Mentougou IOT Agreement is terminated due to the change in government policies, Mentougou District government is required to return the amount that we had invested *less* the amount that Mentougou District government had already repaid prior to the termination of the Mentougou IOT Agreement. We do not anticipate termination of the Mentougou IOT Agreement in the near future.

The following table sets forth certain key information relating to Mentougou Hospital for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
Outpatient visits (thousands)	341.6	374.8	482.1	218.0	249.3
Average spending per outpatient visit (RMB)	245	276	312	284	342
Healthcare services	88	101	116	105	112
Pharmaceuticals	158	175	196	179	230
Inpatient visits (thousands)	4.6	5.5	8.8	4.0	4.6
Average spending per inpatient visit (RMB)	13,079	12,109	13,110	12,189	14,160
Healthcare services	7,945	7,613	8,043	7,912	8,776
Pharmaceuticals	5,134	4,496	5,067	4,278	5,384
ALOS (days)	15.5	13.4	12.1	11.6	12.1
Number of beds in operation as of the end of the relevant period	300	252[1]	414	414	421
Occupancy rate	70.8%	87.8%	77.9%	78.2%	72.9%
Number of inpatient surgeries (thousands)	1.3	1.9	2.6	1.3	1.2
Total employees	703	804	860	860	840
Of which, doctors	176	198	210	213	223
Of which, other medical professionals	332	385	418	424	383
Our revenue derived from Mentougou Hospital (millions of RMB)				(unaudited)	
Hospital management services[2]	N/A	1.4	5.4	1.0	2.4
Supply chain business	N/A	7.8	31.8	13.7	29.7

1 The number of beds in operation decreased in 2011 due to renovation and construction and increased in 2012 after the completion of renovation and construction.

2 We began managing Mentougou Hospital in August 2010 and started to collect management fees in 2011.

Jing Mei Hospital Group

Jing Mei Hospital Group, owned by Beijing Coal, consist of Jing Mei Hospital which is a not-for-profit, Grade III general hospital located in the Mentougou District of Beijing, the only Grade III hospital in the Mentougou District. Jing Mei Hospital Group is also affiliated with seven Grade I hospitals and 11 community clinics. As of June 30, 2013, Jing Mei Hospital had 32 clinical departments including traumatic orthopedics, ICU, cardiovascular, neurology, hemodialysis and is well-known for its occupational therapy practice. Jing Mei Hospital is a Medical Insurance Designated Medical Institution in Beijing. As of June 30, 2013, Jing Mei Hospital Group had 1,587 employees, including 408 doctors, 777 other medical professionals, and 1,738 beds in operation. The 408 doctors of Jing Mei Hospital Group consisted of 18 chief doctors, 61 associate-chief doctors, 161 attending doctors and 168 resident doctors.

Jing Mei IOT Agreement

We began to manage Jing Mei Hospital Group in May 2011. The Jing Mei IOT agreement was entered into among us, Jing Mei Hospital Group and Beijing Coal in May 2011, and amended in September 2012.

Investment amount

Pursuant to the Jing Mei IOT Agreement, we have invested a total of RMB150.0 million in Jing Mei Hospital Group for the renovation of hospital infrastructure, the acquisition and upgrade of advanced medical and clinical equipment and the establishment of an information technology infrastructure, in exchange for the right to operate Jing Mei Hospital Group and receive annual management fees until December 31, 2030. As of June 30, 2013, all investments required under the Jing Mei IOT Agreement have been fully made.

Scope of services and major rights and obligations

Pursuant to the Jing Mei Hospital IOT Agreement, we provide certain services to Jing Mei Hospital, including management services, financial support, human resources support and improvement of medical facilities and information technology systems. We are entitled to receive management fees in exchange for our services. Beijing Coal has the right to supervise the daily operation and our management of the Jing Mei Hospital Group. Beijing Coal also has the right to veto any proposal to dispose of state-owned assets that Jing Mei Hospital Group holds, such as equity interest, land and other properties. Beijing Coal has agreed not to grant management rights over the Jing Mei Hospital Group to any third party before the expiration of the Jing Mei Hospital IOT Agreement without our consent.

Management fee structure and financial performance

Our annual management fees under the Jing Mei IOT Agreement consist of a base management fee and an incentive fee. Jing Mei Hospital's revenue in 2010 is set as the baseline ("Baseline") for management fee calculation. The calculation is based on the following formula: the base management fee equals to a fixed percentage of the Baseline *less* a pre-determined fixed amount. The incentive fee consists of two parts: part one equals to a fixed percentage of the annual revenue in excess of the Baseline ("Floating Fee"), and part two equals to a fixed percentage of the net income before tax (收支結餘) after deducting the base management fee and the Floating Fee. In any given period, the management fees we are entitled to should not exceed the Jing Mei Hospital Group's net income before tax (收支結餘) minus a pre-determined fixed amount. The management fees we were entitled to receive from Jing Mei Hospital Group was subject to such fee cap in 2012.

Pursuant to the Jing Mei IOT Agreement, Beijing Phoenix has agreed to compensate Jing Mei Hospital Group for any loss incurred by Jing Mei Hospital Group in any calendar year prior to deducting management fees such that Jing Mei Hospital Group would break even in that calendar year.

Jing Mei Hospital Group's executive committee

Jing Mei Hospital Group's executive committee (京煤醫院集團理事會) consists of six members, comprising equal number of representatives from us and Beijing Coal. The chairman of the executive committee (理事長) is appointed by Beijing Coal, and the vice chairman (副理事長) and the acting executive (執行理事) are appointed by us. Each member of the executive committee has one vote. In general, matters before the executive committee are decided by a simple majority of the executive committee; however, important business matters, such as the approval of development plan, annual hospital budgets, major investments, major management system formulation, and the appointment of hospital administrator, require support from two-thirds of the executive committee as well as the approval of the chairman of the executive committee. The executive committee is in charge of the hospital's operations and the appointment, review and removal of the hospital administrator and other senior hospital managers, such as the chief executive officer and the chief financial officer who are nominated by us. The acting executive is the legal representative of Jing Mei Hospital Group and is in charge of daily hospital operations when the executive committee is not in session. The current hospital administrator of Jing Mei Hospital was recommended by us.

Renewal and termination

The Jing Mei Hospital IOT Agreement expires on December 31, 2030 and may be renewed upon mutual consent. Jing Mei Hospital Group may unilaterally terminate the Jing Mei IOT Agreement and seek damage from us if we fail to do any of the following:

- fulfill our obligation to make additional investments per any future agreement between Beijing Coal and us;
- mitigate serious harm to, or prevent disruptions to normal operations at the Jing Mei Hospital Group caused by us; or
- reach the following development goals for the Jing Mei Hospital Group within five years as stipulated in the agreement: (a) to establish Jing Mei Hospital as the largest medical center in west Beijing with leading facilities and deep clinical expertise by May 2016, and to achieve a minimum 15% annual revenue growth or a minimum annual revenue of RMB650 million, as well as continuing growth in terms of net income before tax and internal healthy cash generating capacities; (b) to raise service quality level to JCI standards with the ability to deliver premium healthcare services; (c) to improve clinical expertise to the highest level in the Mentougou District equal to a Grade IIIA hospital; (d) to transform affiliated hospitals to community service centers; (e) to provide quality professional training and education to Jing Mei Hospital Group's employees and compensation in line with the development of the hospital; and (f) to improve the medical service level to better prevent occupational diseases for Jing Mei Hospital Group and to improve Jing Mei Hospital's facilities and quality of care.

As of the Latest Practicable Date, we were on track to meet these development goals. These goals do not conflict with our other IOT agreements because we did not undertake such obligations for other IOT hospitals.

We may unilaterally terminate the Jing Mei IOT Agreement and seek damage from Beijing Coal if it fails to ensure our management right as granted under the Jing Mei IOT Agreement.

The Jing Mei IOT Agreement may also be terminated upon mutual consent or due to the change in government policies. If the Jing Mei IOT Agreement is terminated due to the change in government policies, Jing Mei Hospital Group is required to return the amount that we had invested *less* the amount that Jing Mei Hospital Group had already repaid prior to the termination of the Jing Mei IOT Agreement. We do not anticipate termination of the Jing Mei IOT Agreement in the near future.

The following table sets forth certain information relating to Jing Mei Hospital Group for the period indicated:

	Year ended December 31,			Six months ended June 30,	
	2010	**2011**	**2012**	**2012**	**2013**
Outpatient visits (thousands)	518.7	675.0	791.3	366.4	371.6
Average spending per outpatient visit (RMB)	312	313	332	340	420
Healthcare services	85	86	101	99	116
Pharmaceuticals	227	227	231	240	305
Inpatient visits (thousands)	12.2	14.8	16.3	7.8	9.1
Average spending per inpatient visit (RMB)	18,998	17,396	17,823	18,205	17,856
Healthcare services	10,646	10,361	11,278	11,440	11,232
Pharmaceuticals	8,352	7,035	6,546	6,765	6,625
ALOS (days)	52.1	45.3	41.5	47.5	36.1
Number of beds in operation as of the end of the relevant period	1,446	1,500	1,618	1,618	1,738
Occupancy rate[1]	125.6%	116.9%	105.4%	105.4%	99.6%
Number of inpatient surgeries (thousands)	2.2	3.1	4.0	2.1	2.2
Total employees	1,585	1,610	1,672	1,661	1,587
Of which, doctors	397	400	429	429	408
Of which, other medical professionals	801	812	839	836	777
Our revenue derived from Jing Mei Hospital Group (millions of RMB)				(unaudited)	
Hospital management services[2]	N/A	N/A	12.2	5.3	5.6
Supply chain business	N/A	0.1	110.0	36.0	77.0

1 Occupancy rate exceeded 100% due to the addition of temporary beds to satisfy demand.

2 We began managing Jing Mei Hospital Group in May 2011 and started to collect management fees in 2012.

Mentougou Traditional Chinese Medicine Hospital

Mentougou Traditional Chinese Medicine Hospital is a not-for-profit, Grade II hospital located in the Mentougou District of Beijing and is owned by the Mentougou District government. It focuses on medical treatment using traditional Chinese medicine and had 15 clinical departments and centers as of June 30, 2013, including physical therapy, dermatology and orthopedics. Mentougou Traditional Chinese Medicine Hospital is a Medical Insurance Designated Medical Institution in Beijing. As of June 30, 2013, Mentougou Traditional Chinese Medicine Hospital had 300 employees, including 86 doctors and 146 other medical professionals, and 100 beds in operation. The 86 doctors of Mentougou Traditional Chinese Medicine Hospital consisted of six chief doctors, 14 associate-chief doctors, 45 attending doctors and 21 resident doctors.

Mentougou Traditional Chinese Medicine Hospital IOT Agreement

As a result of our successful management of Mentougou Hospital, Mentougou District government signed another IOT agreement with us in June 2012 for Mentougou Traditional Chinese Medicine Hospital. We made a repayable investment in the amount of RMB25.0 million in Mentougou Traditional Chinese Medicine Hospital in exchange for the right to operate this hospital and receive annual management fees until December 31, 2030. Our investment will be returned to us in equal annual installments over the tenure of our management.

In terms of the formula for our management fees, repayment of our initial investment and the termination provisions, the Mentougou TCM Hospital IOT Agreement adopted similar terms as the Mentougou Hospital IOT Agreement. In particular, the Mentougou TCM Hospital IOT Agreement may also be terminated upon mutual consent or due to the change in government policies. If the Mentougou TCM IOT Agreement is terminated due to the change in government policies, Mentougou District government is required to return the amount that we had invested *less* the amount that Mentougou District government had already repaid prior to the termination of the Mentougou TCM Hospital IOT Agreement. We do not anticipate termination of the Mentougou TCM Hospital IOT Agreement in the near future.

Our annual management fees under the Mentougou TCM Hospital IOT Agreement consist of a base management fee and an incentive fee. The baseline for management fee calculation ("Baseline") is set for 2013, and increases annually by an agreed amount up to 2017. The calculation for the management fees for the first five years is based on the following formula: If the net income (收支結餘) is less than the Baseline for that year, the base management fee is equal to the net income (收支結餘) multiplied by the performance rating result, which must exceed a minimum performance rating requirement; if the net income (收支結餘) is equal to or greater than the Baseline for that year, the base management fee is equal to the Baseline of the year multiplied by the performance rating result. The incentive fee equals to certain percentage of the net income (收支結餘) in excess of the Baseline for that year. As a government-owned public hospital, Mentougou Traditional Chinese Medicine Hospital is exempt from any income tax.

The performance rating result is a weighted average assessment by the Mentougou District government, the board of supervisors of the hospital and an independent appraisal agency, with their rating weighing 30%, 30% and 40%, respectively. They apply the criteria in the performance assessment similar to those for Mentougou Hospital and focus on the quality of healthcare services provided at Mentougou Traditional Chinese Medicine Hospital, including patient satisfaction level, improvement of hospital facilities and operation efficiency, sharing of public health responsibilities, and implementation of JCI standards. We will not be entitled to any management fee if our performance rating falls below a certain threshold or if the number of patient visits or the net income (收支結餘) of the hospital fails to demonstrate growth for the year. We have not failed these performance ratings since we started to manage Mentougou Traditional Chinese Medicine Hospital. In 2012 , we agreed with Mentougou District government not to receive any management fees for 2012 primarily due to our limited history of operating Mentougou Traditional Chinese Medicine Hospital, and did not recognize any management fees for the six months ended June 30, 2013 due to minimal net income (收支結餘) in the period. We expect to begin recognizing management fees from Mentougou Traditional Chinese Medicine Hospital in the second half of 2013.

Similar to the Mentougou IOT Agreement, the Mentougou TCM Hospital IOT Agreement also provides that, in the event that a loss of state-owned assets exceeding RMB100,000 was due to our failure to manage the hospital properly, we are required to compensate such loss and pay a penalty fine ranging from RMB100,000 to RMB1 million.

The executive committee (門頭溝區醫院集團理事會) approved by the Mentougou District government pursuant to the Mentougou IOT Agreement also exercises decision-making powers over important business activities at Mentougou Traditional Chinese Medicine Hospital.

The following table sets forth certain information relating to Mentougou Traditional Chinese Medicine Hospital for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
Outpatient visits (thousands)	271.5	320.0	349.0	170.9	165.0
Average spending per outpatient visit (RMB)	260	258	259	251	295
Healthcare services	53	49	43	45	48
Pharmaceuticals	207	209	216	206	247
Inpatient visits (thousands)	1.8	1.7	1.2	0.9	0.5
Average spending per inpatient visit (RMB)	9,934	9,715	8,843	8,307	8,818
Healthcare services	4,445	4,810	4,333	4,094	4,572
Pharmaceuticals	5,489	4,905	4,511	4,213	4,246
ALOS (days)	17.1	18.3	15.8	14.8	15.8
Number of beds in operation as of the end of the relevant period	100	100	100	100	100
Occupancy rate	85.8%	77.5%	50.0%	72.2%	47.5%
Number of inpatient surgeries	435	300	131	122	72
Total employees	280	288	309	291	300
Of which, doctors	91	89	89	85	86
Of which, other medical professionals	137	144	154	150	146
Our revenue derived from Mentougou Traditional Chinese Medicine Hospital (millions of RMB)				(unaudited)	
Hospital management services[1]	N/A	N/A	N/A	N/A	—
Supply chain business	N/A	N/A	2.2	N/A	6.6

1 We began managing Mentougou Traditional Chinese Medicine Hospital in June 2012 and became entitled to collect management fee in 2013, but did not recognize any during the Track Record Period.

Seasonality

Our in-network hospitals and clinics generally experience fewer patient visits in the first quarter of each year due to the effect of the Chinese New Year holiday, during which most Chinese usually avoid visiting hospitals, and more patient visits in the fourth quarter because people are more susceptible to disease in cold weather. In addition, the management fees we are entitled to under the Yan Hua IOT Agreement and the Jing Mei IOT Agreement are based on, among others, a higher management fee rate once such hospitals' performance exceeds certain thresholds. As a result of the foregoing, our revenue and profitability may fluctuate. For more details, see "Financial Information — Factors Affecting Our Financial Condition and Results of Operations — Seasonality" and "Risk Factors — Risk Factors Related to Our Business and Industry — Our business is subject to seasonality".

OUR SUPPLIERS

We primarily procure pharmaceuticals, medical devices and medical consumables that will be used by our in-network hospitals and clinics. Our pharmaceuticals, medical devices and medical consumables are sourced from China, and our medical equipment is primarily sourced from Germany, the United States, Japan, the Netherlands and other foreign countries through their distributors in China.

We select pharmaceuticals, medical devices and medical consumables suppliers based on pricing, reputation, service quality and medical product offering. We maintain a list of suppliers. At the beginning of each year, we review and assess their performance in the past year, check the qualifications of our suppliers to ensure the legality and quality of our supplies, and update the supplier list accordingly. Suppliers who do not meet our standards will be removed from the list, and will not be accepted as our suppliers for at least one year. Our in-network hospitals report their annual procurement needs to our centralized procurement management team, which then aggregates all procurement needs and searches for quality suppliers. To realize the synergies from our centralized procurement management and negotiate for greater volume discounts, we prefer to award purchase orders to a limited number of suppliers.

As of June 30, 2013, we had a portfolio of more than 300 pharmaceutical distributors and equipment suppliers that we worked with, providing our in-network hospitals and clinics with a diverse selection of medical products. In 2012, our five largest suppliers were Hong Hui Pharmaceutical Co., Ltd. (紅惠醫藥有限公司 or "Hong Hui"), Cachet Pharmaceutical Co., Ltd. (嘉事堂藥業股份有限公司 or "Cachet"), Sinopharm Holding Beijing Huahong Pharmaceutical Co., Ltd. (國藥控股北京華鴻有限公司 or "Sinopharm"), Beijing Southeast Yueda Medical Equipment Co., Ltd. (北京東南悦達醫療器械有限公司 or "Yueda") and Humanwell Pharmaceutical (Hubei) Co., Ltd. (人福醫藥湖北有限公司 or "Humanwell"). In the six months ended June 30, 2013, our five largest suppliers were Hong Hui, Sinopharm Holding Beijing Kangchen Biological Pharmaceutical Co., Ltd. (國藥控股北京康辰生物醫藥有限公司 or "Kangchen"), Cachet, Yueda, and Sinopharm. Hong Hui was our largest supplier in 2012 and the six months ended June 30, 2013.

Hong Hui, founded in 1994 and headquartered in Beijing, is a BFDA-authorized pharmaceutical and medical device distributor. Cachet, founded in 1998 and headquartered in Beijing, is a BFDA-authorized pharmaceutical and medical device distributor and a public company listed on the Shenzhen Stock Exchange. Sinopharm, founded in 1993 and headquartered in Beijing, is a BFDA-authorized pharmaceutical and device distributor and a foreign-invested joint venture with Sinopharm Group Co., Ltd. Yueda is the branch office of South East Chemicals & Instruments Ltd. (東南化學儀器有限公司), founded in 1977 and headquartered in Hong Kong, and is a BFDA-authorized medical device distributor. Humanwell, founded in 1998 and headquartered in Wuhan, is the parent company of Wuhan Humanwell Yimin Pharmaceutical Co., Ltd. (武漢人福益民醫藥有限公司), a pharmaceutical distributor authorized by Hubei Food and Drug Administration. Kangchen, founded in 2005 and headquartered in Beijing, is a subsidiary of Sinopharm Group Co., Ltd. and a BFDA-authorized pharmaceutical and medical device distributor.

We believe we generally have a good working relationship with all of our suppliers. Our suppliers typically grant us a credit period ranging from one to four months. In general, we have worked with our major suppliers for a period of one to five years. We have worked with

Hong Hui since 2012, Cachet since 2009, Sinopharm since 2008, Yueda since 2010, Kangchen since 2013, and Humanwell since 2010. Hong Hui, Cachet, Sinopharm, Yueda, Kangchen and Humanwell extend us a credit term of three months, two months, two months, four months, one to two months and three months, respectively.

In 2010, 2011 and 2012 and the six months ended June 30, 2013, our five largest suppliers together accounted for approximately 43.5%, 38.6%, 56.3% and 58.1% of our total purchases, respectively. Our purchases from the single largest supplier accounted for approximately 11.9%, 11.4%, 45.5% and 43.6% of our total purchases in 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively.

To our best knowledge, none of our Directors, their respective associates or any Shareholders owning more than 5.0% of our issued Shares had any interest in any of our five largest suppliers during the Track Record Period.

Supply agreement with Hong Hui

On January 10, 2012, to further consolidate our procurement needs and achieve better efficiency and greater economies of scale, we entered into a one-year supply agreement with Hong Hui for the supply of pharmaceuticals to Jian Gong Hospital, Yan Hua Hospital Group and Jing Mei Hospital Group. The agreement was renewed for one year on December 27, 2012 and October 22, 2013, respectively, and the terms remained substantially the same. The newly signed supply agreement with Hong Hui on October 22, 2013 will expire on December 31, 2014 and may be renewed upon mutual consent prior to November 30, 2014. We negotiated the agreement with Hong Hui on an arm's length basis.

Service scope

Under 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 the Excluded Pharmaceuticals. Upon receiving our consolidated pharmaceutical orders, Hong Hui may either (i) supply pharmaceuticals to these three hospitals directly or through our supply chain business, or (ii) arrange other suppliers to supply such pharmaceuticals to these hospitals. The Excluded Pharmaceuticals represent less than 5% of the total purchases by these three hospitals in 2012 and in the six months ended June 30, 2013.

Minimum economic benefit

In consideration of granting Hong Hui the priority to supply pharmaceuticals for these three hospitals, Hong Hui agrees to provide us with minimum economic benefits calculated based on a percentage of the total annual pharmaceutical purchases, excluding the purchases of the Excluded Pharmaceuticals, made by Jian Gong Hospital, Yan Hua Hospital Group and Jing Mei Hospital Group (the "Minimum Economic Benefit"). The Minimum Economic Benefit is reconciled monthly. If the gross profit we generate from the resale of pharmaceuticals to these hospitals is less than the Minimum Economic Benefit, Hong Hui will arrange to pay us the difference between the gross profit generated and the Minimum Economic Benefit. These payments for such difference are reflected as "other income — fee income" in our financial statements. As a general policy, we collect all or part of the outstanding fee income balance payable on a monthly basis in order to ensure that, at each month end, the outstanding fee income balance payable remains below the sum of (i) the deposit paid by Hong Hui and (ii) the outstanding trade payables from us to Hong Hui representing the unpaid amount of pharmaceuticals purchases. We had been able to collect fee income in accordance with this collection policy during the Track Record Period. For more details, see "Financial Information — Description of Components of Results of Operations — Other Income".

Based on our experience, pharmaceutical suppliers normally do not provide minimum economic benefit to the supply chain business of hospital operators, unless the overall procurement amount is large enough to create such leverage during negotiations. Consistent with such industry experience, we did not obtain any minimum economic benefit arrangements from our suppliers until 2012, when our combined procurement amount became sufficiently large to enable us to negotiate with Hong Hui for minimum economic benefit arrangements. As of the Latest Practicable Date, no other supplier has provided similar minimum economic benefit arrangements to us. We are not aware of Hong Hui having entered into similar minimum economic benefits arrangements with any other hospital operators. However, one of our other suppliers, Cachet, announced in May 2013 that it had entered into an arrangement with Shougang Company Limited, a public company listed on the Shenzhen Stock Exchange (首鋼總公司, "Shougang"), pursuant to which Cachet would be the sole principal supplier of pharmaceuticals, medical devices and medical consumables for all medical institutions owned by Shougang and guarantee that Shougang would attain certain profit targets.

Credit term

Hong Hui extends us a credit term of 90 days.

Minimum purchase amounts and prepayments

There is no requirement under our agreement with Hong Hui for a minimum purchase amount by the three hospitals or prepayments. Hong Hui, however, is required to pay a deposit of RMB24.5 million, RMB8.0 million and RMB8.0 million, respectively, to secure its obligations under the 2012, 2013 and 2014 supply agreements with us. We negotiated and requested for the amount of deposit in 2012 primarily based on the estimated fee income which we would be entitled to for a three-month period. During the course of the negotiations for the 2013 supply agreement with Hong Hui, Hong Hui requested for, and we agreed to, a smaller deposit based on the fact that Hong Hui performed in accordance with the supply agreement in 2012 and we were able to collect fee income in accordance with our collection policy as disclosed in "— Minimum Economic Benefit". The deposit for the 2014 supply agreement with Hong Hui remains the same as that for the 2013 supply agreement.

Product liability

Hong Hui is obligated to conduct its business in compliance with relevant laws, rules and regulations and provide pharmaceuticals that satisfy applicable standards. Our agreement with Hong Hui does not contain a product return provision. However, Hong Hui has agreed to indemnify us for any damage caused by the pharmaceuticals procured through it.

Termination and renewal

We are entitled to terminate this agreement under certain circumstances, including Hong Hui's failure to pay the deposit, medical disputes or damage to our reputation caused by defective or substandard pharmaceuticals supplied by Hong Hui, and Hong Hui's inability to fulfill its obligations due to government regulatory proceeding. If we terminate the agreement without cause, however, we are required to compensate Hong Hui in an amount equal to a certain percentage of the accumulated Minimum Economic Benefit Hong Hui has provided to us in that year. The newly signed supply agreement with Hong Hui on October 22, 2013 expires on December 31, 2014 and may be renewed upon mutual consent prior to November 30, 2014.

As advised by our PRC legal adviser, our agreement with Hong Hui is legally valid and enforceable under applicable PRC laws, rules and regulations. We believe it is not difficult to find alternative pharmaceutical suppliers given the large number of suppliers we work with and the degree of competition among pharmaceutical distributors in China. The pharmaceuticals distribution market in China is fragmented and not dominated by a few players.

In 2012, the six months ended June 30, 2012 and June 30, 2013, we were entitled to a Minimum Economic Benefit of RMB84.9 million, RMB34.0 million and RMB50.5 million, respectively, under our agreement with Hong Hui. For more details, see "Financial Information — Description of Components of Results of Operations — Gross Profit".

For more details on the risks associated this arrangement, see "Risk Factors — Risk Factors Related to Our Business and Industry — The profitability of our supply chain business may be materially reduced if the supply agreement between Hong Hui and us is terminated or not renewed or if Hong Hui fails to honor its obligations".

INVENTORY

Our inventory comprises primarily pharmaceuticals, medical devices and medical consumables, including inventories at Jian Gong Hospital as well as Beijing Wanrong and Beijing Jiayi, the two subsidiaries involved in the supply chain business. Each IOT hospital maintains its own inventory. As of December 31, 2010, 2011 and 2012 and June 30, 2013, we had inventories of RMB22.3 million, RMB23.2 million, RMB35.1 million and RMB30.2 million, respectively. We maintain strict control over our supply chain business inventory and generally keep approximately 20 days of inventory to meet the procurement needs of our in-network hospitals and clinics. We keep our inventory at the warehouse of a logistics company engaged by us. For more details, see "— Warehouse and Logistics". We are deploying an Enterprise Resource Planning System (ERPS) and developing its function to manage key aspects of our supply chain business management system so that detailed records of inventory, procurement, and sales on a real-time basis. ERPS will enable us to closely monitor our inventory level to keep it at a reasonable level and make adjustments whenever necessary. We also carry out periodic physical inventory assessments to verify the accuracy of our electronic ERPS database.

OUR CUSTOMERS

Our customers primarily fall into two categories: (i) patients whom we directly provide healthcare service at our Jian Gong Hospital, and (ii) hospitals that we manage through our IOT agreements.

Patients at Jian Gong Hospital

Our customers are individual patients at Jian Gong Hospital. No individual patient at Jian Gong Hospital accounted for more than 5.0% of our total revenue in 2010, 2011, 2012 and the six months ended June 30, 2013. The vast majority of patients rely on public medical insurance programs to pay for their treatments.

IOT Hospitals

Our customers also include hospitals that we manage through our IOT agreements: Yan Hua Hospital Group, Mentougou Hospital, Jing Mei Hospital Group and Mentougou Traditional Chinese Medicine Hospital. Pursuant to our IOT agreements, we obtain the management rights to these hospital for a certain period, make investments and provide services in exchange for management fees, and also derive revenue from the sale of pharmaceuticals, medical devices and medical consumables to these hospitals. For more details on the terms of our IOT agreements, see "— Our Hospital Network" and "— Our Business Model — Hospital Management Business". We have worked with these hospitals for a period ranging from two to five years.

In 2010, 2011, 2012 and the six months ended June 30, 2013, revenue generated from our largest customer accounted for approximately 26.7%, 34.6%, 25.5% and 19.9% of our revenue, respectively. In the same periods, total revenue from our largest customer in 2010, our largest three customers in 2011, and our largest four customers in 2012 and the six months ended June 30, 2013 was RMB105.3 million, RMB185.5 million, RMB354.9 million and RMB204.7 million, respectively, accounting for approximately 26.7%, 36.4%, 46.8% and 48.8%, respectively, of our revenue. In 2012 and the six months ended June 30, 2013, our top four customers were our IOT hospitals and clinics: Yan Hua Hospital Group, Jing Mei Hospital Group, Mentougou Hospital and Mentougou Traditional Chinese Medicine Hospital. The rest of our customers are individual customers. For more details on the concentration of credit risk posed by trade receivables due from our largest and four largest customers, see "Risk Factors — Risk Factors Related to Our Business and Industry — We are exposed to concentration of credit risk from our top customers", "Financial Information — Discussion of Certain Items from the Statement of Financial Position — Receivables from IOT hospitals" and "Financial Information — Quantitative and Qualitative Analysis about Financial Risk — Credit Risk".

To our best knowledge, other than Yan Hua Hospital Group, none of our Directors, their respective associates or any Shareholders owning more than 5.0% of our issued Shares, to the knowledge of our Directors, had any interest in any of our five largest customers during the Track Record Period. Yan Hua Hospital Group is a connected person under the Listing Rules. For more details on our relationship with Yan Hua Hospital Group, see "Connected Transactions — Non-exempt Continuing Connected Transactions with Yan Hua Hospital Group".

INFORMATION TECHNOLOGY SYSTEM

Our information technology system encompasses the following: Enterprise Resource Planning System (ERPS), Hospital Information System (HIS), Picture Archiving and Communications System (PACS), Laboratory Information System (LIS), Social Insurance System (SIS) and Electronic Medical Record System (EMRS).

Hospital Information System (HIS) helps us with daily operations at our in-network hospitals, including the management of patient records and billing history, pharmacy warehouse and the staffing of doctors and nurses. PACS is an integrated application system for digital medical equipment, such as CT and MRI scans, while the EMRS electronically catalogs patients' medical records. LIS performs various functions, including sample collection and data processing. SIS digitally connects our in-network hospitals' bill records with the local medical insurance center and calculates the amount of medical insurance reimbursement payments. As for the ERPS, it is currently under development and is expected to provide us with access to data held by our in-network hospitals on a real-time basis, including financial and budgeting data, information on human resources, assets, equipment and capital expenditures, as well as supply chain and inventory data.

INSURANCE

As of the Latest Practicable Date, most of our in-network hospitals maintain its own insurance, including medical liability insurance and public safety insurance, for its hospital operations in line with industry practice. Each hospital makes its own independent judgment as to the type and coverage of insurance. Each insurance policy generally has a one-year term and is renewed on an annual basis.

We plan to centralize the insurance purchases of our in-network hospitals at the Group level and have been negotiating with several insurance companies on their behalf for competitive insurance policy terms.

During the Track Record Period, we did not make any claims under our medical liability insurance policies that had a material adverse effect on our business, financial condition or results of operations. For more details, see "— Legal Proceedings and Compliance".

We contribute to social security insurance and housing funds for our employees. Our in-network hospitals and clinics also contribute to social security insurance and housing funds for their employees in accordance with applicable PRC laws, rules and regulations.

We do not maintain product liability insurance for our supply chain and procurement management business, which we believe is consistent with industry practice in China. For more details, see "— Our Suppliers" and "— Product Quality Control and Return". Our Directors have confirmed that the insurance coverage for our general hospital and hospital management operation was adequate as of the Latest Practicable Date.

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are subject to various PRC laws, rules and regulations with respect to health, safety and environmental matters, including hospital sanitation, reduction of occupational hazards in hospitals, prevention of medical accidents, disease control, disposal of medical waste, and discharge of waste water, pollutants and radioactive substances. For more details, see "PRC Laws, Rules and Regulations".

We are committed to complying with PRC regulatory requirements, preventing and reducing various hazards and risks associated with our operation, and ensuring the health and safety of our patients and employees of our in-network hospitals and surrounding communities.

Healthcare Services Quality Control

The NHFPC and Beijing Municipal Health Bureau have promulgated numerous rules and regulations to regulate medical professionals and standards for healthcare services. The rules and regulations apply to multiple aspects of healthcare services and provide detailed procedures for medical professionals to follow, including requirements for a hospital to implement 14 core procedures to ensure healthcare services quality. These include proper procedures for initial diagnosis, ward inspection, consultation, discussions of death cases, medical record keeping, pre-operation discussions, care of critically ill patients and shift relief system. Our in-network hospitals and clinics are subject to unscheduled inspections by relevant government authorities, including the Beijing Municipal Health Bureau, which reviews healthcare services provided by our in-network hospitals and clinics to determine areas that can be further improved, including the implementation of the relevant rules and procedures. During the Track Record Period, our in-network hospitals had not been notified of any material non-compliance of the 14 core procedures. None of our in-network hospitals and clinics has been found of any other material violations during the inspections conducted by Beijing Municipal Health Bureau, the clearance of which is a prerequisite for our in-network hospitals to renew their licenses. We did not receive any written notice of material findings or recommendations from the latest inspections by relevant government authorities. The following table sets forth the date of the latest inspection by relevant government authorities on our in-network hospitals as of the Latest Practicable Date:

Our in-network hospitals	Date of the latest inspection
Jian Gong Hospital	September 13, 2013
Yan Hua Hospital Group	September 18, 2013
Mentougou Hospital	August 2, 2013
Jing Mei Hospital Group	September 11, 2013
Mentougou TCM Hospital	October 16, 2013

In addition, we have implemented the JCI standards at our in-network hospitals and clinics. These standards are recognized worldwide for their ability to continuously improve the safety and quality of healthcare services. Jian Gong Hospital and Yan Hua Hospital, two of our in-network hospitals accredited by the JCI, are also subject to re-evaluation and assessment by the JCI every three years.

To ensure that our in-network hospitals and clinics operate effectively and provide consistent and high quality services and their compliance of applicable rules and regulations, we have established a comprehensive quality control system in our in-network hospitals and clinics to prevent potential risks associated with medical prescription. This system primarily includes the following measures:

- *Training programs*. We provide regular and continuing trainings to our medical professionals so that they are familiar with medical procedures and technology.

- *Assessment system*. We evaluate our healthcare services regularly, including monthly assessment of our implementation of certain core procedures, identify areas to be improved and propose improvement measures.

- *Automatic medication checking system*. We have implemented an automatic medication checking system. Doctors at our in-network hospitals are required to input and record their diagnosis and prescriptions electronically in this system. It can automatically detect and alert doctors of any potential complications from prescriptions, such as incompatibility or overdose.

- *Inspection department*. Each of our in-network hospitals has its own inspection department, focusing on handling patient complaints and medical disputes. It investigates patient complaints and reports any material medical disputes to our senior management for further actions.

- *Patient service and feedback hotline*. Patients may express their opinions of our healthcare services through our patient service and feedback hotline. Proper records are kept for each complaint and follow-up actions are taken when necessary.

Safety Management for Patients and Employees

To mitigate health, safety and environmental risks and reduce potential medical disputes, we established an operation safety committee responsible for coordinating with other relevant departments to supervise and examine safety issues, such as medical treatment safety, environment safety and occupational safety within our Group and in-network hospitals. Our operation safety committee is chaired by our Chief Executive Officer and our Board of Directors appoints the other members of this committee.

We also adopted various measures to maintain a healthy and safe environment for patients and employees, including those required under the JCI standards. For example, each in-network hospital has an infectious disease management office that monitors infectious disease and provides monthly inspection results to the hospital and quarterly reports to the administrator as well as an infectious disease control team. The infectious disease control team at each of our in-network hospitals is chaired by the administrator of each hospital and is composed of experts at relevant clinical departments. This team oversees infectious disease prevention and control at each hospital, analyzes the source of infectious disease, coordinates controlling measures among departments, and monitors special cases. We also regularly sanitizes all of our in-network hospitals and clinics.

Environment Protection

To ensure that our business is in line with the requirements and standards of environmental protection, we have implemented internal policies and procedures in this regard and require all our in-network hospitals to engage qualified service providers to dispose of medical waste and radioactive substances. For example, for medical waste (other than disposable infusion container and hazardous waste), each of our in-network hospitals has engaged No.2 Branch Office of Beijing Environment Sanitation Engineering Group Co., Ltd. (北京環境衛生工程集團有限公司二清分公司, or "Beijing ESE"), a qualified recycling company designated by Beijing Municipal Environmental Protection Bureau, to dispose of medical waste. Each hospital collects, sorts, seals and places medical waste at a designated area for pick-up by Beijing ESE, which sterilizes and disposes of the medical waste in accordance with relevant regulations. Each of our in-network hospitals, except Mentougou Traditional Chinese Medicine Hospital which does not produce any hazardous waste, has also engaged Beijing Jinyu Red Forest Environment Protection Technical Co., Ltd. (北京金隅紅樹林環保技術有限責任公司) to handle disposal of other hazardous waste, including expired pharmaceutical products and other toxic chemicals. In addition, Jian Gong Hospital has engaged Beijing Jingwei Zhongtai New High-Tech Co., Ltd. (北京京衛中苔高新技術有限公司) to handle the disposable of infusion containers. Our in-network hospitals and clinics do not produce radioactive medical waste.

Our cost for compliance with applicable health, safety and environmental rules and regulations in 2010, 2011, 2012 and the six months ended June 30, 2013 was RMB0.5 million, RMB0.6 million, RMB0.7million and RMB0.3 million, respectively. During the Track Record Period, we did not encounter any non-compliance or complaints in relation to the environmental protection. Going forward, we expect that the annual cost of compliance with health, safety and environmental rules and regulations will continue to increase in line with increase during the Track Record Period.

INDUSTRY STANDARDS

China maintains strict standards for medical institutions and professionals. Medical institutions in China are graded into Grades I, II and III based on the assessment of competent authorities. For more details, see "PRC Laws, Rules and Regulations — Regulations on the Administration and Classification of Medical Institutions — The Classification of Medical Institutions". Medical professionals are also subject to extensive regulations on their qualification and results and face potential liabilities and disciplinary action for malpractice. For more details, see "PRC Laws, Rules and Regulations — Laws and Regulations on Medical Personnel of Medical Institutions" and "PRC Laws, Rules and Regulations — Laws and Regulations on Medical Malpractice".

In addition, we have been implementing JCI standards in our in-network hospitals and clinics. Jian Gong Hospital and Yan Hua Hospital were accredited by JCI in 2010 and renewed in August 2013. The JCI provides accreditation and certification for healthcare organizations and has a presence in more than 90 countries. The JCI standards were developed by healthcare experts from around the world and have been tested worldwide, making JCI a recognized world leader in healthcare quality and patient safety. JCI accreditation generally takes 18 to 24 months. A hospital is accredited once it demonstrates that it has met the standards of care issued by the JCI. These standards focus on a broad set of issues, including access to care, patient and family rights and communications, patient care, anesthesia and surgical care, medication management and use, patient safety, prevention and control of infections, staff qualification and education and other factors.

PRODUCT QUALITY CONTROL AND RETURN

We select our suppliers prudently to ensure quality control. Our selection criteria is based on a variety of factors, including quality, service, overall track record, product selection and price. We generally work with reputable suppliers that are able to meet the requirements of our purchases.

For all of the products ordered either through our supply chain and procurement management business or directly by hospitals, inspections are conducted by the hospital upon delivery to ensure strict quality control, including for expiration dates, packaging, product description and other quality indicators. Each of our in-network hospitals has its own quality control team. We employ a standard product return policy. We allow our in-network hospitals and clinics to return any defective or expired products to us. In turn, we return such products to the manufacturer or the distributor, according to market practice and past dealings with our suppliers. During the Track Record Period, neither we nor any of our in-network hospitals and clinics have encountered any quality issues or received any defective products that would have a material adverse effect on our business, financial condition or results of operations. For more details, see "Risk Factors — Risk Factors Related to Our Business and Industry — The existence of counterfeit pharmaceutical products in China may damage our reputation and subject us to legal liability".

WAREHOUSE AND LOGISTICS

When we submit a purchase order to the supplier, it will deliver the specified pharmaceuticals, medical devices or medical consumables either to the designated hospitals in accordance with our instructions or to our warehouse. Upon delivery, each hospital will inspect and check the delivery and demand re-delivery if the product does not meet the relevant delivery standards.

In accordance with applicable PRC law, the delivery of medical products to hospitals must be conducted directly by the manufacturer or through a qualified pharmaceutical logistics distribution enterprise. In June 2013, we entered into a three-year agreement with a logistics company, Beijing Jiahe Jiashi Pharmaceutical Logistics Co., Ltd. (北京嘉和嘉事醫藥物流有限公司, "Jiahe Jiashi"), an Independent Third Party. Under this agreement, we are required to pay a minimum annual delivery fee of RMB2.8 million, and Jiahe Jiashi provides us with storage and services suitable for different medical products. Jiahe Jiashi has provided designated delivery personnel to handle our products and is liable for any loss caused by its negligence or failure to comply with inspection standards during delivery. For losses caused by *force majeure*, we will receive compensation indirectly from Jiahe Jiashi's insurance company. The agreement will be automatically terminated if our pharmaceutical distribution certificate expires during the three-year period or if the government policy renders the agreement unenforceable. The agreement may be renewed upon mutual consent.

We lease one warehouse with a gloss floor area of approximately 200 square meters from an Independent Third Party for storing medical devices and medical consumables for our supply chain business.

OUR PROPERTIES

As of the Latest Practicable Date, our Jian Gong Hospital owned land use rights to one parcel of land in Beijing with an aggregate site area of approximately 18,999 square meters and building ownership rights to certain buildings erected on such parcel of land with an aggregate gross floor area of 21,434 square meters. We obtained long-term land use right certificate for Jian Gong Hospital, which expires on August 24, 2060. We do not own any other properties in China other than the land use rights and building ownership rights owned by Jian Gong Hospital.

We have not obtained ownership certificates for certain buildings at Jian Gong Hospital due to the lack of certain construction-related permits and certificates. These buildings are currently in use and have a total gross floor area of 8,716 square meters, or 28.9% of the total gross floor area of Jian Gong Hospital. Such areas include primarily the outpatient registration area, a library, a morgue, a medical imaging and diagnostic room, and rooms for other ancillary functions. Of these areas, the outpatient registration area is the largest with a gross floor area of approximately 1,611 square meters, or 5.3% of the total gross floor area of Jian Gong Hospital.

Recognizing the potential legal risks associated with the title defects and pursuant to the business expansion plan of Jian Gong Hospital, we have had discussions with the Beijing Xicheng Municipal Commission of Urban Planning (北京市規劃委員會西城分局 or "BXMCUP") and submitted a reconstruction plan covering these buildings to BXMCUP for review in 2012. In September 2012, BXMCUP granted us a Construction Land Use Planning Permit (建設用地規劃許可證), a key step in obtaining the construction-related permits for our reconstruction plan covering these areas, which would rectify such title defects. We are in the process of on-going discussions with BXMCUP to finalize our reconstruction plan and will apply for the construction permit (建設工程規劃許可證) and the permit for the commencement of construction works (施工許可證) in 2014. Once these construction-related permits are obtained, construction is expected to commence and be completed in 2015. The reconstruction plan is expected to be fully financed by proceeds from the Global Offering. We plan to spend approximately RMB110 million in capital expenditure for the reconstruction plan. For more details, see "Future Plans and Use of Proceeds".

Such rectification actions can only be completed after Listing, and we will disclose the progress of the reconstruction plan in our interim and annual reports to shareholders after Listing, including a detailed explanation for any delay in these rectification actions. As advised by our PRC legal adviser, if our rights to these properties are challenged before we obtain the permit to commence the reconstruction or before we rectify the defects through alternative means, BXMCUP and the local government agency responsible for construction and development could (i) subject us to a fine up to 10% of the construction cost, and/or (ii) force us to demolish the buildings within a reasonable period specified by the relevant government agency responsible for construction and development. We expect the maximum potential liability to be approximately RMB3.0 million and estimate that demolishment and relocation may take approximately three months. We do not expect our business and financial position to be materially affected by demolishment and relocation and estimate that there will be no material loss of revenue because the properties with title defects, individually or collectively, are not crucial to our operations.

Our Controlling Shareholders, namely Mr. Xu Xiaojie, Ms. Xu Jie and Speed Key Limited, entered into a deed of indemnity as at the date of this prospectus in favor of our Group, pursuant to which our Controlling Shareholders undertake to indemnify our Company against any loss resulting from any fine, demolishment, relocation and/or other costs associated with the property title defects. For more details, see "Appendix V. Statutory and General Information — F. Other Information — 2. Deed of Indemnity".

Our Directors have confirmed that, although some of the areas encompass typical functions of a hospital, the properties with title defects, individually or collectively, are not crucial to our operations because (i) if our rights to these properties are challenged or if we are ordered to demolish the relevant buildings, the function of these buildings can be easily relocated to other premises without significantly impacting our operations, and (ii) we have a reconstruction plan in place. Since Jian Gong Hospital has passed the JCI accreditation process, which encompasses the inspection of the safety condition of a hospital's facilities, we believe that Jian Gong Hospital's facilities satisfy the international requirements for healthcare facilities' safety. BXMCUP, the competent authority as confirmed by our PRC legal adviser, has confirmed that it has not imposed any administrative penalties against us in relation to our rights to these properties during the Track Record Period.

As advised by our PRC legal adviser, there is no material legal impediment in obtaining the necessary construction-related permits for our reconstruction plan and in obtaining the building ownership certificates once we complete the reconstruction of Jian Gong Hospital so long as our reconstruction is carried out and inspected in accordance with the relevant requirements. As advised by our PRC legal adviser, a hospital's medical buildings, with or without ownership certificates, are not permitted to be used as collateral for borrowings due to the requirements under applicable PRC laws, rules and regulations. For more details on the prohibition against using a hospital's real property as collateral, see "Financial Information — Liquidity and Capital Resources". Those buildings for which we have not obtained ownership certificates cannot be bought or sold due to the title defects. If we are requested by BXMCUP or the local construction government agency to demolish the buildings before we obtain the construction-related permits for our reconstruction plan, we estimate that the total cost of relocation, including the search for alternative premises, renovation and a 12-month rental, is approximately RMB22.0 million. We do not expect a material difference between the valuation of these properties and the valuation that we would have attributed to these properties if they did not have such title defects. For more details regarding the changes in equity interest of Jian Gong Hospital, see "History and

Reorganization — Our History". For more details, see "Risk Factors — Risk Factors Related to Our Business and Industry — We have not obtained title and have not registered lease agreements with respect to some of the properties we use to operate our business".

To prevent the recurrence of similar incidents relating to our properties, we have engaged our PRC legal adviser to advise us on compliance with the relevant PRC laws, rules and regulations in relation to the usage, rental and construction of our properties.

Furthermore, we leased and occupied a total of eight properties in the Beijing with a total gross floor area of approximately 1,245 square meters for office and business use as of the Latest Practicable Date. All eight property lease agreements have not been registered with the relevant PRC government authorities. As advised by our PRC legal adviser, failure to register an executed lease agreement will not invalidate the agreement; however, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify such non-compliance and we fail to do so within the specified time. In the event that we have to look for alternative premises, the property agent fee is expected to amount to approximately RMB0.1 million.

We have not made any provisions relating to the potential liabilities relating to our title defects and failure to register certain lease agreements during the Track Record Period because we believe the risk is remote and the amount is not significant.

COMPETITION

The hospital and healthcare service industry in China is highly fragmented with numerous market participants. For example, we were the largest private hospital group in China in terms of the number of beds in operation, according to the Frost & Sullivan Report, with 3,194 beds in 2012. However, this represents less than 0.1% of the 4.2 million total beds in operation in China in 2012, according to the Frost & Sullivan Report. Hospitals compete primarily with other hospitals in their areas of operation. Other key competitive factors among hospitals include healthcare service quality, reputation, convenience and price. For example, Yan Hua Hospital competes with Fangshan Hospital (房山區醫院), a public Grade II hospital located in the same area. In addition, Jian Gong Hospital competes with neighboring Xuanwu Hospital of Capital Medical University (首都醫科大學宣武醫院) and Beijing Friendship Hospital (北京友誼醫院), both of which are Grade III hospitals. As we are expanding our healthcare services, we will face additional competition from both local public and private hospitals in areas we expand into. For more details on the competitive landscape and our market share in Beijing, see "Industry Overview — Competition".

According to the Frost & Sullivan Report, competition for management rights over public hospitals among general hospital operators is currently not intense primarily because this industry is still in its early stages of development in China. As of the Latest Practice Date, we do not believe that we face any material competition from any other general hospital operator in Beijing that has a business model similar to ours. However, we expect that competitors in the healthcare service industry will emerge given the healthcare reform in China and the central governments' and local government's supportive policies towards public hospital reform and private capital investment in the healthcare services industry. The Frost & Sullivan Report predicts that more professional hospital operators will manage public hospitals as the PRC government seeks to reform public hospitals by equity investments, PPP or other means. For more details on industry trends and analysis, see "Industry Overview".

We believe that we will compete with new entrants on the basis of hospital management expertise, reputation, and hospital service quality. They may compete with us for existing and potential hospital owners interested in public hospital reform opportunities.

As a result of our management rights over in-network hospitals and clinics, we are able to control, consolidate and manage the procurement needs of these hospitals and clinics. Consequently, we do not believe we compete with other pharmaceutical distributors because our supply chain business primarily serves our in-network hospitals and generally does not supply pharmaceuticals, medical devices or medical consumables to other third-party hospitals.

EMPLOYEES

We categorize the employees involved in our hospital management business into two classes: our employees and hospital employees. As of June 30, 2013, we had a total of 78 employees at the Group level, including hospital managers appointed to hospitals by us and administrative and procurement personnel. In addition, as of June 30, 2013, our in-network hospitals and clinics had more than 4,600 hospital employees, including doctors, nurses, pharmacists, medical technicians and other administrative personnel. For a breakdown of the employees at each of our in-network hospitals and clinics, see "— Our Hospital Network". In particular, Jian Gong Hospital had 764 employees, including 219 doctors and 386 other medical professionals as of June 30, 2013. The following table shows a breakdown of our Group-level employees by function as of June 30, 2013:

Functions	Number of Employees	% of Employees
Group-level Employees	**78**	**100.0**
Management and administrative	37	47.4
Hospital managers	15	19.2
Procurement	26	33.3

Our employees typically enter into standard employment contracts with us. Each of the hospital managers appointed by us is also required to enter into a two-year non-competition agreement with us. Remuneration packages for our employees may comprise one or more of the following elements: base salary, performance-related bonus and discretionary bonus. We set performance targets for our employees based on their position and department and periodically review their performance. The results of such reviews are used in their salary determinations, bonus awards and promotion appraisals. For our Group-level employees, we offer various social insurance benefit plans, including housing fund, pension, medical, maternity and unemployment benefits. Our employees are also represented by a labor union, and labor dispute are handled in accordance with all applicable laws, rules and regulations.

Employees of our in-network hospitals and clinics enter into employment contracts with the relevant hospital. Each hospital independently manages its recruitment efforts, provides wages and employee benefits within its annual budget, hires part-time employees as needed, and conducts its own employee performance reviews, which is modeled after the general framework developed and approved by us.

Qualification of Medical Professionals

The qualification and expertise of doctors at our in-network hospitals and clinics is vital to the quality of healthcare services provided at our in-network hospital and clinics provide and our competitiveness. We place great emphasis on recruiting, training and retaining our employees. We maintain high standards in selecting quality medical professionals and provide competitive compensation packages. We also provide periodic training on topics such as information technology and accident management to our employees. The following table sets forth the turnover rate of doctors and other medical professionals of our in-network hospitals for the periods indicated:

	Year ended December 31,		
Hospitals	**2010**	**2011**	**2012**
Jian Gong Hospital	14.7%	14.6%	11.2%
Yan Hua Hospital Group	3.9%	6.1%	7.4%
Mentougou Hospital	2.7%	5.3%	3.1%
Jing Mei Hospital Group	2.8%	3.2%	3.0%
Mentougou Traditional Chinese Medicine Hospital	4.4%	4.4%	1.3%

Turnover rate is defined as (a) the total number of doctors and other medical professionals who resigned during a financial year at each hospital and does not include those who retire during such financial year, divided by (b) the total number of doctors and medical professionals at such hospital as of January 1 for such financial year.

In China, licensed doctors are subject to various trainings and periodic assessment of their professional skills, achievements and professional ethics by institutions or organizations entrusted by the public health department. There are four professional ranks for doctors in China: resident doctor, attending doctor, associate-chief doctor and chief doctor. For more details of the number of our doctors at each in-network hospitals, see "— Our Hospital Network".

We designate the clerical department (醫務部) at each in-network hospital to handle the qualification registration for our medical professionals and maintain license records. The clerical department conducts periodic examinations to ensure each medical professional's practice is within the scope of his or her license. It also reminds doctors to apply for next professional rank when they become eligible. During the Track Record Period and up to the Latest Practicable Date, we were not aware of and did not encounter any complaints or penalties in relation to medical professionals practicing beyond the scope of their respective licenses.

INTELLECTUAL PROPERTY

We believe that our intellectual property is of material importance to our business. As of the Latest Practicable Date, we held three registered trademarks and three registered domain names. We are also in the process of applying for the registration of 15 additional trademarks in China.

As of the Latest Practicable Date, we are not engaged in or threatened with any claim for infringement of any intellectual property rights, whether as a claimant or as a defendant. For more details on our intellectual property rights, see "Appendix V. Statutory and General Information — B. Further Information About Our Business — 2. Intellectual property rights" in Appendix V to this prospectus.

LICENSES, PERMITS AND CERTIFICATES

As advised by our PRC legal adviser, we have obtained the necessary licenses, approvals, certificates and permits for our current business operations. The following table sets forth the major licenses, certificates and permits for our Group and all of our in-network hospitals as of the Latest Practicable Date.

License	Effective Date	Expiration Date
Jian Gong Hospital		
Medical Institution Practicing License (醫療機構執業許可證)	January 1, 2013	December 31, 2015
Beijing Medical Insurance Designated Medical Institution Certificate (北京市基本醫療保險定點醫療機構資格證書)	April 1, 2013	March 31, 2016
Yan Hua Hospital Group		
Medical Institution Practicing License	February 21, 2012	December 31, 2014
Beijing Medical Insurance Designated Medical Institution Certificate	April 1, 2013	March 31, 2016
Mentougou Hospital		
Medical Institution Practicing License	February 16, 2011	December 31, 2013
Beijing Medical Insurance Designated Medical Institution Certificate	April 1, 2013	March 31, 2016
Jing Mei Hospital Group		
Medical Institution Practicing License	January 1, 2013	December 31, 2015
Beijing Medical Insurance Designated Medical Institution Certificate	April 1, 2013	March 31, 2016
Mentougou Traditional Chinese Medicine Hospital		
Medical Institution Practicing License	July 16, 2012	December 31, 2013

License	Effective Date	Expiration Date
Beijing Medical Insurance Designated Medical Institution Certificate	April 1, 2013	March 31, 2016
Beijing Wanrong		
Pharmaceutical Distribution Certificate (藥品經營許可證)	November 11, 2011	September 28, 2014
Pharmaceutical Distribution Quality Management Certificate (藥品經營質量管理規範認證證書)	January 7, 2009	January 6, 2014
Medical Device Marketing Enterprise License (醫療器械經營企業許可證)	July 30, 2010	July 29, 2015
Beijing Jiayi		
Medical Device Marketing Enterprise License	December 27, 2010	December 26, 2015

Medical Institution Practicing License and Pharmaceutical Distribution Quality Management Certificate may be renewed within three months prior to its expiration date upon re-examination by the relevant authority. We are in the process of preparing relevant renewal application materials for the Medical Institution Practicing Licenses of Mentougou Hospital and Mentougou Traditional Chinese Medicine Hospital. We plan to submit them to the relevant authority one month prior to the expiration date, which is consistent with our historical practice. As advised by our PRC legal adviser, the renewal application for the Medical Institution Practicing Licenses may be submitted to relevant regulatory authorities within three months prior to the expiration date of the license and consequently our practice does not violate the relevant regulations. As further advised by our PRC legal adviser, the relevant regulatory authorities may, depending on the actual situation, grant us a grace period, the length of which is between one to six months. Hospitals with hospital beds (which includes all of our in-network hospitals) that fail to pass the periodic examination and renew the license may continue to operate during the grace period. There were no incidents of non-compliances that led to a suspension or revocation of the licences for any of our hospitals during the Track Record Period. Pharmaceutical Distribution Certificate and Medical Device Marketing Enterprise License may be renewed within six months prior to its expiration date upon re-examination by the relevant authority. As advised by our PRC legal adviser, although re-examination is required for the renewal of Beijing Medical Insurance Designated Medical Institution Certificate, relevant regulations do not specify when it may be renewed prior to its expiration date.

In addition to the above licenses and certificates, our in-network hospitals have also obtained other licenses and permits such as License for the Deployment of Large Medical Equipment (大型醫用設備配置許可證), License for radiotherapy (放射診療許可證), and Seal Card for the Purchase and Use of Narcotic Pharmaceuticals and Class I Psychotropic Substances (麻

醉藥品、第一類精神藥品購用印鑒卡). For more details on licenses, permits and certificates, see "PRC Laws, Rules and Regulations — Legal Supervision over the Healthcare Sector in China". As advised by our PRC legal adviser, there is no material legal impediment in renewing our licenses, permits and certificates as long as we comply with relevant requirements.

LEGAL PROCEEDINGS AND COMPLIANCE

Our in-network hospitals and clinics are subject to legal proceedings and claims that arise in the ordinary course of business, which primarily include medical disputes brought by our patients. Most of our in-network hospitals maintain medical liability insurance, but such insurance only covers a portion of these claims. For more details, see "— Insurance". During the Track Record Period, the number of medical disputes settled by our in-network hospitals, and clinics was approximately 160, or less than 0.01% of the aggregate patient visits, and the aggregate settlement amount as a percentage of the aggregate revenue was less than 0.2%, approximately less than half of which was covered by the insurance carried by our in-network hospitals and clinics. In particular, during the Track Record Period, the number of medical disputes settled by Jian Gong Hospital was approximately 30, or less than 0.01% of the Jian Gong Hospital's aggregate patient visits, and the aggregate settlement amount as a percentage of the aggregate revenue generated by Jian Gong Hospital was 0.2%, approximately less than half of which was covered by the insurance carried by Jian Gong Hospital.

During the Track Record Period, there were three major medical disputes, each involving a settlement amount greater than RMB500,000. The following table sets forth the details of these major medical disputes.

Hospital	Date of Incident	Nature of Alleged Incident
Jing Mei Hospital	January 2007	Medical screws allegedly pierced the spinal canal of a patient during lumbar spine surgery.
Mentougou Hospital	March 2011	Maternal mortality allegedly caused by amniotic fluid embolism, a rare and often fatal emergency during child birth.
Mentougou Traditional Chinese Medicine Hospital	September 2007	Patient underwent an allegedly unsuccessful cervical spine surgery.

We may continue to face legal proceedings and claims in our hospital business operations. For more details, see "Risk Factors — Risk Factors Related to Our Business and Industry — We and our in-network hospitals and clinics have been and could become the subject of litigation, claims and governmental investigations, including medical dispute brought by patients, which may harm our reputation and our business".

We have established protocols to handle and record potential medical disputes. Each of our in-network hospitals has its own inspection department focusing on handling patient complaints and medical disputes. The inspection department investigates patient complaints, maintains a written record of discussions with patients, and resolves minor medical disputes on its own. The inspection departments also reports material medical disputes to relevant senior hospital managers for discussion. Unresolved medical disputes may be referred to a designated government-run medical dispute mediation committee or to the courts for further action.

As of Latest Practicable Date, other than those disclosed in this prospectus, we were not a party to any ongoing material litigation, arbitration or administrative proceedings, and we are not aware of any claims or proceedings contemplated by government authorities or third parties which would materially and adversely affect our business. Our Directors are not involved in any actual or threatened material claims or litigation.

We are subject to a wide variety of laws, rules and regulations in the ordinary course of our business operations and other activities. For more details, see "PRC Laws, Rules and Regulations". As advised by our PRC legal adviser, except as disclosed in "— Our Properties", we are in compliance with all relevant laws, rules and regulations in all material aspects and have obtained the necessary licenses, approvals and permits for our current business operations.

We have in place a series of Group-wide management policies to improve our corporate governance structure and monitor the implementation of internal control policies, including an investment management system, information disclosure system, anti-fraud and reporting system, human resources management system, risk management and assessment policies, internal audit rules, and employee handbooks.

In particular we have set up an internal control system to address anti-bribery and corruption incidents:

- We have anti-corruption policies and procedures in place both at the Group and hospital levels. The design and implementation of anti-corruption policies and procedures are overseen by the head of our operations management department at the Group level and by the hospital administrator of each hospital at the hospital level. Related policies are set forth in the employee handbook and code of conduct. We have a zero tolerance policy towards acceptance of any bribes by doctors, staff and hospital administrators. We have also established a whistle blower program, a dedicated email address to receive named or anonymous reports of corruption charges, and stringent investigation protocols. Any employee found in breach of our anti-corruption policy will be terminated.

- We also have an independent committee at the hospital level, comprising of doctors from various clinical departments, tasked with conducting a monthly review and assessment of the quality and reasonableness of pharmaceutical prescriptions on a random sampling basis. Any irregularities, which could indicate instances of prescription abuse or corruption, are immediately reported to the clerical department (醫務部) and the pharmacy department (藥劑科) for further review.

- Our employees and hospital employees undergo anti-corruption training on an annual basis. They also receive periodic updates on recent anti-corruption issues as such issues arise. Most recently, our senior management received extensive anti-corruption training in August 2013.

During the Track Record Period, we are not aware of any non-compliance with the anti-corruption policies of our Group or in-network hospitals.

OVERVIEW

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Ms. Xu Xiaojie will, through Speed Key Limited, beneficially own approximately 34.51% of the Shares. Ms. Xu Xiaojie is the daughter of Ms. Xu Jie, our founder. As a result, Ms. Xu Jie, Ms. Xu Xiaojie and Speed Key Limited are our Controlling Shareholders.

Ms. Xu Jie, our founder, established our Group in 2007. For more details on the establishment of the Group, see "History and Reorganization — Our History — History of Beijing Phoenix". For more details on Ms. Xu Jie's bios, see "Directors and Senior Management — Directors — Executive Directors". Speed Key Limited is an investment holding company wholly owned by Ms. Xu Xiaojie. As at the Latest Practicable Date, our Controlling Shareholders do not hold shares in any listed companies to the extent subject to reporting or disclosure requirements in that jurisdiction.

YAN HUA HOSPITAL GROUP

Ms. Xu Xiaojie and Ms. Xu Jie collectively own the entire equity interest in Beijing Wantong. Beijing Wantong indirectly owns the entire equity interest in Yan Hua Phoenix, which is the owner (舉辦人) of Yan Hua Hospital Group. Apart from Ms. Xu Jie, none of our Directors or members of our senior management holds any position in Speed Key Limited, Beijing Wantong or Yan Hua Phoenix. For details of transactions between us and Yan Hua Hospital Group, see "Connected Transactions — Non-exempt Continuing Connected Transactions with Yan Hua Hospital Group".

Pursuant to the Yan Hua IOT Agreement we entered into with Yan Hua Hospital Group, we have agreed to invest in Yan Hua Hospital Group and provide management services to Yan Hua Hospital in return for the right to manage Yan Hua Hospital Group and to receive annual management fees until July 17, 2055. For more details on the management fees, see "Connected Transactions — Non-exempt Continuing Connected Transactions with Yan Hua Hospital Group". Yan Hua Hospital Group is managed by the executive committee which consists of five members, four of whom are appointed by Yan Hua Phoenix and one of whom is elected by an employee committee. The executive committee exercises key decision-making powers over important business decisions at Yan Hua Hospital Group, such as the approval of annual hospital budgets and major investments, the establishment of new departments and the hiring of key personnel. Matters before the executive committee are decided by a simple majority of all executive committee members, and each member of the executive committee has one vote.

For more details regarding the business and operations of Yan Hua Hospital Group, see "— Business — Our Hospital Network — Yan Hua Hospital Group".

REASONS FOR EXCLUDING YAN HUA HOSPITAL GROUP FROM OUR GROUP

Since Yan Hua Hospital Group is a not-for-profit hospital registered as a private non-enterprise organization (民辦非企業單位), the owner (舉辦人) of Yan Hua Hospital Group is not entitled under PRC laws, rules and regulations, to the right of dividends or the profits, cash flow or residue assets upon liquidation. As advised by our PRC legal adviser, while there are no legal restrictions for our Controlling Shareholders to inject Yan Hua Hospital Group into the Group as a not-for-profit hospital, such injection does not entitle our Group to share its profits nor to receive its dividends, which is not aligned with the nature of our Company. On the contrary, it is in the best interest of our Group to own for-profit hospitals or assets in order to share economic benefits generated by those hospitals or assets. Hence, the Group currently only owns the Jian Gong Hospital, which is a for-profit hospital. Further, since there are no additional economic benefits out of owning Yan Hua Hospital outright, it would not be in our Groups' interests to make payment to the owners of Yan Hua Phoenix based on the appraised value of Yan Hua Phoenix, as the Group would have spent cash as consideration to purchase Yan Hua Phoenix for no additional economic benefits. As a result, we decided not to include Yan Hua Hospital Group in our Group. The Directors are also of the view that including Yan Hua Hospital Group as part of our Group is not in the best interests of our Shareholders in the near future. Accordingly, Yan Hua Hospital Group is not and will not form part of our Group following the completion of the Reorganization and the Global Offering so long as Yan Hua Hospital remains as a not-for-profit hospital.

POTENTIAL COMPETITION

The Group may face potential competition from Yan Hua Hospital on the following aspects:

- Yan Hua Hospital and other hospitals that the Group manage provide general hospital service in Beijing. The Group has no control over individual patients who potentially can opt to visit Yan Hua Hospital instead of other hospitals of our Group; and

- Yan Hua Hospital and our Group may potentially compete for doctors, other medical professionals and management staff, as both Yan Hua Hospital and our Group recruit primarily in Beijing.

Our Company believes the above potential competition does not materially and adversely affect the Group because:

- under the Yan Hua IOT Agreement, the Group is entitled to manage Yan Hua Hospital and, accordingly, the Group is able to operate Yan Hua Hospital in the best interest of the Group and effectively avoid any operational decisions of Yan Hua Hospital that potentially compete with the Group;

- as Yan Hua Hospital is a not-for-profit hospital, Yan Hua Hospital Group's owner (舉辦人), which is an associate of our Controlling Shareholders, will not receive any economic interests through dividends or distributions and hence there is no economic incentive for Yan Hua Hospital Group to compete with the Group;

- Yan Hua Hospital Group agreed to pay us annual management fees solely based on the financial performance of Yan Hua Hospital Group. As a result, the economic interests of our Group and Yan Hua Hospital Group are aligned in terms of the operations of Yan Hua Hospital Group. We manage Yan Hua Hospital and other hospitals of the Group collectively in the best economic interests of the Group as a whole;

- Yan Hua Hospital are located in Fangshan District of in Beijing, which is separate from other in-network hospitals of our Group. We believe generally patients tend to visit hospitals that are in close proximity to their residence. Therefore, potential competition due to geographical overlap within Beijing is limited;

- as we manage Yan Hua Hospital as part of our hospital network, we cause Yan Hua Hospital Group and our other in-network hospitals to share human resources and medical knowledge across our hospital network, rather than having each in-network hospitals compete with each other for doctors, other medical professionals and management staff. For more details, see "Business — Our Competitive Strengths — Innovative Business Model Capturing Multiple Parts of the Value Chain and Realizing Synergies"; and

- each of the Controlling Shareholders has undertaken not to engage in, or interested in any business which may compete with our business. In addition, each of the Controlling Shareholders has undertaken to us that (i) upon termination of the Yan Hua IOT Agreement; or (ii) upon Yan Hua Hospital becomes a for-profit hospital, each of them shall transfer all their interests in Yan Hua Phoenix to Beijing Phoenix. For more details, see "— Non-Voting and Non-Competition Undertakings".

DELINEATION OF BUSINESS

We believe there is clear delineation between our Group and the Yan Hua Hospital Group for the following reasons:

- Yan Hua Hospital Group and our Group have independent financial systems. We manage and have access to the financial systems of Yan Hua Hospital Group in order to ascertain the level of management fees payable to us pursuant to the Yan Hua IOT Agreement;

- the Group and Yan Hua Hospital Group have independent human resources systems with different operational personnel and staff. These personnel and staff are paid by their respective employers;

- we manage Yan Hua Hospital pursuant to the Yan Hua IOT Agreement, and accordingly Yan Hua Hospital Group rely on us to provide management services. However, on the contrary, we do not rely on the management personnel of Yan Hua Hospital for the Group's daily operations; and

- our Controlling Shareholders have undertaken not to compete with Group. For more details, see "— Non-Voting and Non-Competition Undertakings".

Based on the above, our Directors are of the view that there is a clear delineation between the Yan Hua Hospital Group and the Group and do not expect any overlap between Yan Hua Hospital Group and our Group after Listing.

Other than those disclosed in this section, our Controlling Shareholders, Beijing Wantong and Yan Hua Phoenix and their associates are not engaged in any healthcare or hospital management related activities in China.

NON-VOTING AND NON-COMPETITION UNDERTAKINGS

As the owner (舉辦人) of Yan Hua Hospital Group, Yan Hua Phoenix 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 Controlling Shareholder has confirmed that it or she is not engaged in, or interested in any business which, directly or indirectly, competes or may compete with our business. In accordance with the non-competition undertakings set out in the deed of non-competition dated the date of this prospectus, each of the Controlling Shareholders has undertaken to our Company (for itself and on behalf of its subsidiaries) that during the period commencing from the Listing Date and ending on the occurrence of the earliest of (i) the day on which our Shares cease to be listed on the Stock Exchange or other recognized stock exchange; (ii) the day on which the Controlling Shareholders cease to be controlling shareholders of our Company; and (iii) the day on which the Controlling Shareholders beneficially own or are interested in the entire issued share capital of our Company:

- Each of them will not and will procure that none of her/its associates, spouse and children under the age of 18 and persons to whom each of them provides financial assistance to set up and operate businesses (the "Controlled Persons") or any companies in the equity capital of which each of the Controlling Shareholders, her family interests and/or any trustee interests taken together are interested (directly or indirectly) so as to exercise or control the exercise of 30% or more of the voting power at general meetings, or companies in which each of the Controlling Shareholders, her family interests and/or any trustee interests controls the composition of a majority of the board of directors of such companies (the "Controlled Companies") will, except through her/its interests in our Company, whether as principal or agent and whether undertaken directly or indirectly through any person, body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or concerned with, directly or indirectly, any business which is in any respect in competition with or similar to or is likely to be in competition with the business of our Group as described in this prospectus and any other business from time to time conducted by any member of our Group or in which any member of our Group is engaged or has invested in, or entered into any of intent or memorandum of understanding to enter into, or which our Group has otherwise publicly announced its intention to enter into, engage in or invest in (whether as principal or agent and whether undertaken directly or through any body corporate, partnership, joint venture, or other contractual or other arrangement), within the PRC or any of the territories where any member of our Group carries and/or will carry on business from time to time (the"Restricted Business");

- If she/it and/or any of her/its respective associates, and/or any of the Controlled Persons and/or any of the Controlled Companies is offered or becomes aware of any potential business opportunity directly or indirectly to engage or become interested in a Restricted Business, she/it:

  (a) shall promptly notify our Company in writing and refer such business opportunity to our Company for consideration and provide such information as may be reasonably required by our Company in order to make an informed assessment of such business opportunity; and

  (b) shall not and shall procure that her/its associates and/or Controlled Persons and/or Controlled Companies shall not, invest or participate in any such project or business opportunity unless such project or business opportunity shall have been rejected by our Company and the principal terms of which each of the Controlling Shareholder or her/its associates and/or Controlled Persons and/or Controlled Companies invest(s) or participate(s) are no more favorable than those made available to our Company.

In addition, Ms. Xu Jie, our executive Director, has undertaken to us that she will devote sufficient time and efforts to discharge her fiduciary duties and responsibilities as our Director.

Each Controlling Shareholder undertakes that she will not and will procure that none of her respective associates and/or the Controlled Persons and/or the Controlled Companies shall:

- At any time induce or attempt to induce any director, manager or employee or consultant of any member of our Group to terminate his or her employment or consultancy (as appropriate) with our Group, whether or not such act of that person would constitute a breach of that person's contract of employment or consultancy (as appropriate);

- At any time employ any person who has been a director, a manager, employee of or consultant to any member of our Group who is or may be likely to be in possession of any confidential information or trade secrets relating to the Restricted Business; or

- Alone or jointly with any other person, or as manager, adviser, consultant, employee or agent for or shareholder in any person, firm or company, in competition with any member of our Group, canvass, solicit or accept order from or do business with any person with whom any member of our Group has done business or solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group in relation to the Restricted Business to cease to deal with our Group or reduce the amount of business which the person would normally do with our Group or seek to improve their terms of trade with any member of our Group.

Under the deed of non-competition, each of the Controlling Shareholders has also undertaken to offer to transfer all its interests in Yan Hua Phoenix to Beijing Phoenix upon either (i) termination of the Yan Hua IOT Agreement or (ii) Yan Hua Hospital is re-classified as for-profit hospital. The transfer and the terms and conditions of the transfer shall be subject to approval by our independent shareholders as described below. For more details on the termination events of the Yan Hua IOT Agreement, see "Connected Transaction — Non-exempt Continuing Connected Transactions with Yan Hua Hospital Group — (A) Yan Hua IOT Agreement — Termination of the Yan Hua IOT Agreement".

Furthermore, our Controlling Shareholders will offer to sell, or will procure her/its respective associates, and/or any of her/its Controlled Persons and/or Controlled Companies to offer to sell, to Beijing Phoenix, all of their respective interests in Yan Hua Phoenix at least once in each financial year commencing from January 1, 2014 (the "Annual Offer Arrangement"). If our Group (i) elects to accept the offer but the acquisition of the interests in Yan Hua Phoenix is not completed by the Group for any reason or (ii) does not accept the offer or does not respond to the offer within its specified time, Yan Hua Phoenix will remain subject to the Annual Offer Arrangement in subsequent years.

Where our Group elects to accept the offer, the terms and conditions of such transfer shall be subject to approval by our independent Shareholders in an extraordinary general meeting. The consideration of such transfer will be the average appraised value under the valuation reports conducted by two independent valuers, who shall be appointed by our independent non-executive Directors. As the transfer is a connected transaction, we shall comply with Chapter 14A of the Listing Rules applicable at the time of the transfer.

Each Controlling Shareholder further undertakes, jointly and severally, to indemnify and keep indemnified our Group against any damage, loss or liability suffered by our Group arising out of or in connection with any breach of covenants and undertakings and/or any of the obligations of the Controlling Shareholder under the deed of non-competition, including any costs and expenses incurred as a result of such breach.

The implementation of the deed of non-competition will be governed and monitored as follows:

- our independent non-executive Directors will be responsible for deciding, without attendance by any executive Director (except as invited by our independent non-executive Directors to assist them or provide any relevant information but in no circumstances shall the executive Director(s) participate in such meeting be counted towards the quorum or allowed to vote in such meeting), whether or not to take up a new business opportunity referred to us under the terms of the deed of non-competition.

- the independent non-executive Directors will be granted full access of financial information and other information they request from the managers of the Company and Controlling Shareholders in order to make an informed decision. The independent non-executive Directors will make each decision based on any factors they consider appropriate and which they consider is beneficial to the Group.

- our independent non-executive Directors may employ an independent financial advisor as they consider necessary to advise them on the terms of any new business opportunity or the options.

- each of the Controlling Shareholders undertakes to keep us informed and shall procure her/its respective associates, Controlled Persons and Controlled Companies to keep us informed, of new business opportunities and to provide all information reasonably required by the independent non-executive Directors to assist them in their consideration of any new business opportunity.

- our independent non-executive Directors will also review, on an annual basis, the implementation of the deed of non-competition and any decisions in relation to new business opportunities referred to us, and state their basis and reasons in our Company's annual report.

- after the Listing, our Directors will continue to disclose details of any potential competing interests in our annual reports to shareholders.

- if there is any new detail regarding any potential competition as disclosed in this prospectus, our directors will disclose such details in our annual reports to shareholders.

In the event that our Company decides not to proceed with any particular projects or business opportunities and that our Controlling Shareholders or her/its Controlled Persons and/or Controlled Companies decides to proceed with such a project or business opportunity, we will announce such decision by way of an announcement setting out therein the basis for us not taking the project or the business opportunity.

DEED OF INDEMNITY

Our Controlling Shareholders have entered into a deed of indemnity in favor of the Group. For more details, see "Statutory and General Information — F. Other Information — 2. Deed of Indemnity"

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that our Group is capable of conducting our business independently from our Controlling Shareholders and their respective associates (other than our Group) after Listing for the following reasons:

Management Independence

Our Board comprises five executive Directors, two non-executive Directors and four independent non-executive Directors. Although our Controlling Shareholders retain a controlling interest in our Company, Ms. Xu Jie only constitutes a minority of our Board. Decisions are made by the Board in a collective manner. Except for Ms. Xu Jie, all of the members of the Board are independent of our Controlling Shareholders, and there is no overlap of directorships between our Company and the Controlling Shareholders. We consider that our Board will function independently from our Controlling Shareholders because:

- each Director is aware of his or her fiduciary duties as a Director of the Company which requires, among other things, that he or she acts for the benefit and in the best interests of the Company and does not allow any conflict between his or her duties as a Director and his/her personal interest;

- in the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Company and our Directors or their respective associates, the interested Director(s) is/are obliged to declare and fully disclose such potential conflict of interest and shall abstain from voting at the relevant Board meetings of the Company in respect of such transactions and shall not be counted in the quorum; in addition, our Controlling Shareholders have procured its nominated members of the executive committee of Yan Hua Hospital to abstain from voting if there is any potential conflict between Yan Hua Hospital Group and the Company; and

- our Board comprises eleven Directors and four of them are independent non-executive Directors, which represents more than one-third of the members of the Board. Such composition is in line with or better than the current corporate governance best practices in Hong Kong according to the Listing Rules. In particular, our independent non-executive Directors include professionals such as lawyers and accountants. We believe our independent non-executive Directors are able to oversee the Board to ensure there is no potential conflict of interests or competition with our Controlling Shareholders.

Operational Independence

As of the Latest Practicable Date, we had our own independent operation capabilities and independent management systems. We are also in possession of all necessary relevant licenses, approvals and certificates, to carry on and operate our business and we have sufficient operational capacity in term of capital and employees to operate and manage independently. We do not rely on any operational or administration resources of Beijing Wantong or Yan Hua Phoenix, and we manage the operations and administrations of Yan Hua Hospital Group pursuant to the Yan Hua IOT Agreement. We and Yan Hua Hospital Group have independent human resources systems and different operational personnel and staff. Those personnel and staff are paid by their respective employers.

Financial Independence

We are financially independent from our Controlling Shareholders and their associates. All loans, advances and balances due to and from our Controlling Shareholders and their respective associates (e.g., the shareholder loan granted by Speed Key Limited to our Company) will be fully settled and that all share pledges and guarantees provided by our Controlling Shareholders and their respective associates on our Group's borrowing will be fully released upon Listing. In addition, we have our own internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and independent access to third-party financing.

Our Directors are satisfied that we are capable of conducting our business independently from any of our Controlling Shareholders (including their respective associates) after our Company is listed on the Stock Exchange.

CONNECTED PERSON RELATIONSHIP

Ms. Xu Xiaojie and Ms. Xu Jie, our Controlling Shareholders, collectively own the entire equity interest in Beijing Wantong. Beijing Wantong indirectly owns the entire equity interest in Yan Hua Phoenix, which in turn is the owner (舉辦人) of Yan Hua Hospital Group. As such, Yan Hua Phoenix and Yan Hua Hospital Group are "connected persons" under the Listing Rules. Yan Hua Hospital Group, Beijing Phoenix and Yan Hua Phoenix entered into an IOT agreement regarding the management of Yan Hua Hospital Group on February 4, 2008.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS WITH YAN HUA HOSPITAL GROUP

(A) Yan Hua IOT Agreement

Beijing Phoenix, our wholly-owned subsidiary, Yan Hua Hospital Group and Yan Hua Phoenix entered into a 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 (collectively, the "Yan Hua IOT Agreement"). Pursuant to the Yan Hua IOT Agreement, Beijing Phoenix agreed to (i) pay Yan Hua Phoenix an amount of RMB72 million (the "Consideration") and (ii) invest a total of RMB150 million (the "Investment") into Yan Hua Hospital Group prior to 2015, in exchange for the right to manage Yan Hua Hospital and to receive management fees from Yan Hua Hospital Group until July 17, 2055 (the "Management Fees"). The term of the Yan Hua IOT Agreement is subject to approval by our independent Shareholders every three years. For financial impact in the event approval is not obtained, see "Financial Information — Critical Accounting Policies — Receivables from IOT hospitals" and "Financial Information — Critical Accounting Policies — Intangible Assets".

Management Fee Structure

The calculation of annual Management Fees is based on the following formula (the "Management Fee Formula"): a fixed percentage of the first RMB150 million of the annual revenue of Yan Hua Hospital Group, *plus* a higher fixed percentage of the annual revenue in excess of RMB150 million *less* the amount of the relevant Investment Repayment (as defined in "— Consideration, Investments Amounts and Repayment of Investments" below). In any given period, the Management Fees we are entitled to should not exceed the Yan Hua Hospital Group's net income before tax (收支結餘) and the Investment Repayment. The Management Fee Formula is set based on arm's length negotiation among the parties. The Management Fees in 2010, 2011, 2012 and the six months ended June 30, 2013 were approximately RMB16.3 million, RMB18.0 million, RMB22.6 million and RMB1.9 million, respectively.

Annual Cap on Future Management Fees and Investment Repayment

In accordance with Rule 14A.35(2) of the Listing Rules, the Company has set annual caps on the maximum Management Fees and Investment Repayment under the Yan Hua IOT Agreement. The annual caps of the Management Fees and Investment Repayment under the Yan Hua IOT Agreement for each of 2013, 2014 and 2015 are RMB17.8 million (of which RMB1.8 million is Investment Repayment, as defined below), RMB28.5 million (of which RMB2.0 million is Investment Repayment) and RMB37.4 million (of which RMB3.6 million is Investment Repayment) respectively. The annual cap for 2013 is estimated with reference to (i) the Management Fees for the first six months of 2013; (ii) the Management Fees for the second six months in 2012 of RMB16.3 million, which demonstrates that a significant portion of Management Fees is typically recognized in the second half of the financial year; (iii) the projected revenue of Yan Hua Hospital from July 1 to December 31, 2013, taking into account the financial performance of Yan Hua Hospital Group as compared to the same months in 2012; (iv) the expected Investment Repayment amount in 2013. The annual caps of the Management Fees for 2014 and 2015 are estimated primarily based on (i) the Management Fee Formula, (ii) the historical and expected annual revenue of Yan Hua Hospital Group and (iii) the expected Investment Repayment amount. The Group has not factored into the annual caps any potential loss top-up payments (for more details, see "— Loss Top-Up Obligations") for each of 2013, 2014 and 2015.

Consideration, Investment Amounts and Repayment of Investments

As of the Latest Practicable Date, the Consideration has been paid in full. The carrying amount of that initial investment (the "Carrying Amount") under the Yan Hua IOT Agreement is determined as if the Consideration is amortized equally over the IOT term of 48 years. Yan Hua Phoenix has undertaken to reimburse Beijing Phoenix the Carrying Amount upon termination or discontinuation of the Yan Hua IOT Agreement. Ms. Xu Xiaojie and Ms. Xu Jie have jointly and severally guaranteed the performance of the above undertaking. As of June 30, 2013, the carrying amount of the intangible assets related to the initial investment for acquisition of the management right of Yan Hua Hospital paid to Yan Hua Phoenix was RMB63.7 million.

Beijing Phoenix made the Investment which is repayable in Yan Hua Hospital Group in the amount of RMB57 million in 2011, RMB20 million in 2012 and, as of September 30, 2013, RMB10 million in 2013.

Pursuant to the Yan Hua IOT Agreement, Yan Hua Hospital Group shall repay the Investment made in the past by Beijing Phoenix (the "Investment Repayment"). An Investment made in the current year by Beijing Phoenix will be repaid by Yan Hua Hospital Group starting from the year after in equal installments annually until the end of the term of the Yan Hua IOT Agreement. For example, the RMB57 million Investment made in 2011 will be repaid from 2012 to 2055 annually in equal installments, the RMB20 million Investment made in 2012 will be repaid from 2013 to 2055 annually in equal installments. Nil Investment Repayment was made in 2010 and 2011, and in 2012, the Investment Repayment amounting to approximately RMB1.3 million was made. The amount of Investment Repayment made in the six months ended June 30, 2013 was nil. The discontinuation or termination of the Yan Hua IOT Agreement would not affect the Investment Repayment schedule.

Loss Top-Up Obligations

Pursuant to the Yan Hua IOT Agreement, Beijing Phoenix agreed to compensate Yan Hua Hospital Group of any losses incurred by Yan Hua Hospital Group in any calendar year such that Yan Hua Hospital Group would break even in that calendar year by setting off the compensation against the Management Fees in that calendar year. If the Management Fees in that year is insufficient, the compensation will be set off against the Management Fees in subsequent years until the loss is fully compensated. To date, Beijing Phoenix has not paid any such compensation to Yan Hua Hospital. In any event, Yan Hua Hospital Group and Yan Hua Phoenix have signed an undertaking dated the date of this prospectus that they will not enforce any loss top-up payment from Beijing Phoenix for as long as the Yan Hua IOT Agreement remains in force.

Termination of the Yan Hua IOT Agreement

Under the occurrence of any of the following, Yan Hua Hospital Group and Yan Hua Phoenix may terminate the Yan Hua IOT agreement unilaterally and claim compensation from us if we:

- violate any relevant laws, rules or regulations during the provision of management services, causing serious harm or impact over the operation or business of Yan Hua Hospital Group as a result of any penalty or investigation by the governmental department in charge of industry and commerce, health and hygiene, healthcare services and pharmacy or environmental protection;

- manage Yan Hua Hospital Group in conspiracy with any third party, causing serious harm to the Yan Hua Hospital Group; or

- cause serious harm to Yan Hua Hospital Group by any other acts.

We may unilaterally terminate the Yan Hua IOT Agreement and seek damages from Yan Hua Hospital Group and Yan Hua Phoenix if any of the following occurs:

- the business conducted by Yan Hua Hospital Group lacks requisite licenses or permits and cannot be carried out despite remedial measures;

- Yan Hua Hospital Group and Yan Hua Phoenix withhold information concerning Yan Hua Hospital Group's assets, debt, business activities or other information that would affect the operation of Yan Hua Hospital Group or information concerning the occurrence of any event that may seriously undermine the management of Yan Hua Hospital Group by us;

- Yan Hua Hospital Group and Yan Hua Phoenix exercise management authority in a manner contrary to our instructions, or intentionally undermine our management activities to a significant extent; or

- Yan Hua Hospital Group does not pay us the Management Fees on time.

The Yan Hua IOT Agreement may also be terminated with the parties' consent. We do not anticipate termination of the Yan Hua IOT Agreement in the near future. For financial impact in the event the Yan Hua IOT Agreement is terminated, see "Financial Information — Critical Accounting Policies — Receivables from IOT hospitals" and "Financial Information — Critical Accounting Policies — Intangible Assets".

Listing Rule Implications of the Management Fees and Investment Repayment

Based on the annual caps set by the Company, the highest relevant percentage ratios in respect of the Management Fees and Investment Repayment under the Yan Hua IOT Agreement will be, on an annual basis, more than 0.1% but less than 5%. Accordingly, the transactions under the Yan Hua IOT Agreement constitute continuing connected transactions of the Company that will be exempt from independent Shareholders' approval requirement but will be subject to reporting and announcement requirements under Chapter 14A of the Listing Rules.

As the transactions contemplated under the Yan Hua IOT Agreement described above are and will continue to be entered into in the ordinary and usual course of business of our Group on a continuing basis, the Directors are of the view that compliance with the announcement requirements would impose unnecessary administrative costs and burden to the Group and would at times be impracticable. The Joint Sponsors have applied on behalf of the Company a waiver application under Rule 14A.42(3) of the Listing Rules, and the Stock Exchange has 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 in connection with the Yan Hua IOT Agreement and all transactions contemplated under it. The waiver will be valid for three financial years until the end of 2015. After the expiration of the waiver, the Company will seek approval from its independent Shareholders every three years to approve the renewal of the Yan Hua IOT Agreement. In addition,the Company will set annual caps of the Management Fees and Investment Repayment every three years and seek approval from its independent Shareholders taking into account the Listing Rules from time to time.

According to Rule 14A.42(3) of the Listing Rules, the Company will comply with the applicable requirements set out in Rules 14A.35(1), 14A.35(2) and 14A.36 to 14A.40 of the Listing Rules from time to time in relation to the Yan Hua IOT Agreement.

(B) Pharmaceutical, Medical Device and Medical Consumables Sales Framework Agreement

Sales Arrangements with Beijing Wanrong and Beijing Jiayi

Beijing Wanrong and Beijing Jiayi, our wholly-owned indirect subsidiaries on the one hand, and Yan Hua Hospital Group on the other hand have a sales arrangement whereby Beijing Wanrong and Beijing Jiayi supply pharmaceuticals, medical device and medical consumables to Yan Hua Hospital Group on a recurring basis. Under such arrangement, Yan Hua Hospital Group places purchase orders for pharmaceuticals, medical device and medical consumables to Beijing Wanrong and Beijing Jiayi from time to time and Beijing Wanrong and Beijing Jiayi fulfill the orders by selling the products to Yan Hua Hospital Group at a price equal to the "bidding price" of the products fixed by PRC regulators or the prevailing market price. This sales arrangement commenced in 2008. The parties have entered into a legally binding pharmaceutical, medical device and consumables sales framework agreement for a term of three years commencing on the Listing Date.

Historical Transaction Amounts

In 2010, 2011, 2012 and the six months ended June 30, 2013, sales by Beijing Wanrong and Beijing Jiayi to Yan Hua Hospital Group were approximately RMB88.9 million, RMB158.2 million, RMB170.6 million and RMB81.6 million, respectively.

Annual Caps on Future Transaction Amounts

In accordance with Rule 14A.35(2) of the Listing Rules, the Company has set annual caps on the maximum sales revenue generated under the pharmaceutical, medical device and medical consumables sales framework agreement. The annual caps for the pharmaceutical, medical device and medical consumables sales framework agreement for each of 2013, 2014 and 2015 are RMB200 million, RMB260 million and RMB330 million, respectively. The annual caps are estimated with reference to (i) the expected increase in the total purchases by Yan Hua Hospital Group, taking into account the historical increase in the purchases by Yan Hua Hospital Group of at least 10% per annum between 2010 and 2012, (ii) taking a percentage of between 55% to 75% of products to be procured for Yan Hua Hospital Group which are expected to be sourced from Beijing Wanrong and Beijing Jiayi, taking into account the historical percentage of purchases sourced from Beijing Wanrong and Beijing Jiayi of 38% to 58% between 2010 to 2012. The estimated increase in supply to Yan Hua Hospital Group from Beijing Wanrong and Beijing Jiayi is primarily based on our plan to further consolidate the procurement needs of Yan Hua Hospital Group through our supply chain business.

Listing Rule Implications

Based on the annual caps that have been proposed, we expect that the highest relevant percentage ratios under the pharmaceutical, medical device and medical consumables sales framework agreement will, on an annual basis, exceed 5%. Accordingly, the transactions under the pharmaceutical, medical device and medical consumables sales framework agreement constitute continuing connected transactions of the Company subject to reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the transactions contemplated under the pharmaceutical, medical device and medical consumables sales framework agreement described above are and will continue to be entered into in the ordinary and usual course of business of our Group on a continuing basis, the Directors are of the view that compliance with the announcement and independent Shareholders' approval requirements would impose unnecessary administrative costs and burden to the Group and would at times be impracticable. The Joint Sponsors have applied on behalf of the Company a waiver application under Rule 14A.42(3) of the Listing Rules, and the Stock Exchange has granted a waiver from strict compliance with the announcement and independent Shareholders' approval requirements as may otherwise be required of the Company under Chapter 14A of the Listing Rules in connection with the pharmaceutical, medical device and medical consumables sales framework agreement and all transactions contemplated therein. The waiver is valid provided that the revenue from the pharmaceutical, medical device and medical consumables sales framework agreement do not exceed the respective proposed annual caps for the relevant periods aforementioned.

According to Rule 14A.42(3) of the Listing Rules, the Company will comply with the applicable requirements set out in Rules 14A.35(1), 14A.35(2) and 14A.36 to 14A.40 of the Listing Rules from time to time in relation to the pharmaceutical, medical device and medical consumables sales framework agreement.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) confirm that the continuing connected transactions under the Yan Hua IOT Agreements and the pharmaceutical, medical device and medical consumables sales framework agreement have been and will be (i) entered into the ordinary and usual course of business of our Group; (ii) are based on normal or better commercial terms; (iii) and the terms and the proposed annual cap amounts for such transactions are fair and reasonable as far as our Company is concerned; and (iv) are in the interests of our Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by us relating to the non-exempt continuing connected transactions described above, have conducted due diligence by discussing these transactions with us and our advisers, and have obtained various representations and confirmations from us and the Controlling Shareholders. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that the non-exempt continuing connected transactions described above have been and will be entered into in the ordinary and usual course of business of the Group, are on normal or better commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and that the proposed annual caps for the non-exempt continuing connected transactions described above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GENERAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Board of Directors consists of five executive Directors, two non-executive Directors and four independent non-executive Directors. The table below sets forth information in respect of our Board of Directors:

Name	Age	Position (Responsibility)	Date of First Joining the Group	Date of Appointment as Director
Executive Director				
Mr. Liang Hongze (梁洪澤先生)	42	Chairman of the Board of Directors and Chief Executive Officer (Responsible for overseeing our Group)	December 2007	February 2013
Ms. Xu Jie (徐捷女士).	50	Executive Director (Responsible for strategic planning of our Group)	December 2007	September 2013
Mr. Zhang Liang (張亮先生).	44	Vice Chairman of the Board of Directors and General Manager (Responsible for hospital project planning and investment)	February 2013	September 2013
Mr. Xu Zechang (徐澤昌先生)	51	Executive Director and Vice General Manager (Responsible for overall hospital operations and clinical development)	December 2007	September 2013
Mr. Jiang Tianfan (江天帆先生)	32	Executive Director, Chief Financial Officer and Secretary of Board of Directors (Responsible for overall financial management, capital investment and ancillary services business)	January 2008	February 2013
Non-executive Director				
Mr. Yang Huisheng (楊輝生先生)	46	Non-Executive Director	September 2013	September 2013
Mr. Zhu Zhongyuan (朱忠遠先生)	43	Non-Executive Director	September 2013	September 2013

Name	Age	Position (Responsibility)	Date of First Joining the Group	Date of Appointment as Director
Independent Non-executive Director				
Mr. Kwong Kwok Kong (鄺國光先生)	66	Independent Non-Executive Director	September 2013	September 2013
Ms. Cheng Hong (程紅女士).	44	Independent Non-Executive Director	September 2013	September 2013
Mr. Wang Bing (王冰先生).	37	Independent Non-Executive Director	September 2013	September 2013
Mr. Sun Jianhua (孫建華先生)	38	Independent Non-Executive Director	September 2013	September 2013

Note: For the residential addresses of the Directors, see "Directors and Parties Involved in the Global Offering".

The following table sets forth certain information in respect of the members of the senior management of the Group:

Name	Age	Position (Responsibility)	Residential Address	Date of First Joining the Group	Date of Appointment to the Senior Management Position
Mr. Liang Hongze (梁洪澤先生) . .	42	Chairman of the Board of Directors and Chief Executive Officer (Responsible for overseeing our Group)	Rm. 301, Unit 1, Bldg. 4, Zhuquemen Jiayuan, No. 8, Taiping Street, Xicheng District, Beijing 100050 China	December 2007	February 2013
Mr. Zhang Liang (張亮先生). . .	44	Vice Chairman of the Board of Directors and General Manager (Responsible for hospital project planning and investment)	Rm. 501, Unit 2, Bldg. 4, Meiliyuan Community, Xi Sihuan Road, Haidian District, Beijing 100097 China	February 2013	March 2013

Name	Age	Position (Responsibility)	Residential Address	Date of First Joining the Group	Date of Appointment to the Senior Management Position
Mr. Xu Zechang (徐澤昌先生) .	51	Executive Director and Vice General Manager (Responsible for overall hospital operations and clinical development)	23-3, Area One, Daning Shanzhuang, Fangshan District, Beijing, 102445 China	December 2007	July 2012
Mr. Jiang Tianfan (江天帆先生) .	32	Executive Director, Chief Financial Officer and Secretary of Board of Directors (Responsible for overall financial management, capital investment and ancillary services business)	Rm. 1606, Bldg. 4, No. 16 Dongsanhuan Zhong Road, Chaoyang District, Beijing 100022 China	January 2008	November 2011
Mr. Cheng Libing (成立兵先生) .	49	Executive General Manager (Responsible for daily operations of our Group)	Rm. 307, Bldg. 28, Minwangyuan, Dongcheng District, Beijing 100013 China	September 2010	March 2013
Mr. Zhang Xiaodan (張曉丹先生) .	38	Vice Executive General Manager (Responsible for supply chain business and project investment)	Rm. 702, Bldg. 17, Yangguangshangdong Community, Chaoyang District, Beijing 100076 China	November 2010	March 2013
Mr. Shan Baojie (單寶傑先生) .	42	Vice General Manager (Responsible for investment management on IOT hospitals)	Rm. 1401, Bldg. 1, Jianxiangyuan Community, Haidian District, Beijing 100083 China	October 2011	March 2013

Name	Age	Position (Responsibility)	Residential Address	Date of First Joining the Group	Date of Appointment to the Senior Management Position
Mr. Chen Qianjin (陳前進先生) .	41	Vice General Manager (Responsible for medical devices and medical consumables supply chain business)	Rm. 1501, Unit 2, Bldg. 5, Section 2, Division 3, Tianhuayuan, East Tianhua Road, Yizhuang, Daxing District, Beijing 100176 China	December 2007	July 2012
Mr. Or Wing Kee (柯永基先生) .	44	Vice General Manager and Joint Company Secretary (Responsible for corporate finance, financial management and project investment)	Flat D, 40/F, Tower 3, Island Harbourview, 11 Hoi Fai Road, Hong Kong	January 2013	January 2013

DIRECTORS

Executive Directors

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

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

Although the dual roles of Chairman and Chief Executive Officer is a deviation from the Corporate Governance Code under Appendix 14 of the Listing Rules, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in an experienced and qualified person such as Mr. Liang provides the Company with strong and consistent leadership while allowing for effective and efficient planning and implementation of business decisions and strategies. Mr. Liang has acted as both the chairman and chief executive officer of Beijing Phoenix, our primary operating subsidiary, since March 2013. The Board has recently reviewed the human resources function of the Company and believes that it is appropriate and in the best interests of the Company at the present stage for Mr. Liang to assume both positions. The Board of Directors regularly meets to review the operations of the Company under Mr. Liang's leadership, and does not believe that this arrangement will have a negative influence on the balance of power between the Board and the management of the Company.

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

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

Mr. Zhang Liang, aged 44, is the Vice Chairman of our Board of Directors and the general manager of Beijing Phoenix. Mr. Zhang joined our Group in February 2013 and is primarily responsible for hospital project planning and investment of our Group. Prior to joining us, Mr. Zhang served in many positions at the Beijing TV Station (北京電視台), one of the major TV stations in China, including journalist, producer, deputy director, director and then vice editor-in-chief, through which Mr. Zhang has gained extensive experience in operation management, public relations and strategic planning. Mr. Zhang was granted special government allowances from the State Council (國務院政府特殊津貼) and was the winner of Changjiang Taofen Awards (Changjiang Series) (長江韜奮獎(長江系列)) in 2007, the highest level of national journalist award issued by the All-China Journalists Association. Mr. Zhang received a Master's degree in Film Art and Technology from Beijing Normal University (北京師範大學) in Beijing in June 1997 and a Bachelor's degree in Philosophy from China Renmin University (中國人民大學) in Beijing in July 1990.

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

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

Mr. Jiang Tianfan, aged 32, is our Executive Director, Chief Financial Officer and Secretary of Board of Directors. Mr. Jiang joined the Group in 2008 and has been an executive director since August 2009, and was appointed as the Chief Financial Officer of the Company in November 2011. Mr. Jiang is primarily responsible for overall financial management, capital investment and ancillary services business of our Group. He also served as the general manager of Jian Gong Hospital from December 2010 to October 2011 and the general manager of Yan Hua Hospital from July 2010 to October 2010. Prior to joining us, Mr. Jiang served in several positions at the New Oriental Education & Technology (Group) Co., Ltd. (北京新東方教育科技(集團)有限公司), an education group mainly focusing on foreign language training for Chinese students to study abroad, from June 2002 to 2007, including as director of the Domestic and International Exams Department of the Nanjing New Oriental School (南京新東方學校國內外考試部) from June 2002 to May 2005 and the general manager of the Beijing New Oriental School Elite English Center (北京新東方Elite精英英語中心) from June 2005 to July 2007. Mr. Jiang received an MBA degree from Olin Business School at Washington University in St. Louis in the United States in May 2009 and a Bachelor's degree of Law from Shanghai International Studies University (上海外國語大學) in Shanghai in July 2003.

Non-Executive Directors

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

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

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

Independent Non-Executive Directors

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

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

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

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

Mr. Wang Bing, aged 37, was appointed as an independent non-executive Director of the Company in September 2013. He is currently the managing partner of Beijing JunZeJun Law Offices (北京市君澤君律師事務所). Mr. Wang has been admitted to practice law since July 2001. Mr. Wang has worked at Beijing JunZeJun Law Offices since July 2003, where he served as attorney-at-law, partner, senior partner and managing partner. Prior to joining JunZeJun Law Offices, Mr. Wang began to practice law since July 2001. Mr. Wang specializes in various areas of law, including public offerings and listings on the main board in mainland China, overseas offerings and placement of overseas enterprises involved with domestic equity, offerings and listings of China-controlled companies on the Hong Kong stock market, private equity financings and placements, acquisitions and reverse mergers by listed companies, and share incentive schemes. Mr. Wang received a Bachelor's degree in Law from Law School of Dongbei University of Finance & Economic (東北財經大學) in Dalian in June 1998.

Mr. Sun Jianhua, aged 38, was appointed as an independent non-executive Director of the Company on September 2013. 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.

Except as disclosed above, each of our Directors has confirmed that he or she has not held any other directorships in any listed company during the three years immediately prior to the date of this prospectus, that there is no other information in respect of our Directors to be disclosed pursuant to rule 13.51(2) of the Listing Rules and that there is no matter which needs to be brought to the attention to our Shareholders.

SENIOR MANAGEMENT

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

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

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

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

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

Mr. Or Wing Kee, aged 44, is the vice general manager and a joint company secretary of our Group and joined our Group in January 2013. Mr. Or has over 20 years of experience in the investment banking and direct investment industry. He is responsible for corporate finance, financial management and project investment of our Group and our business operation in Hong Kong. From August 2011 and prior to joining us, Mr. Or served as head of the corporate finance advisory department at KDB Asia Limited, a Korean financial institution. Before that, Mr. Or was a director of Ivory Capital Private Limited, an investment bank, from July 2005 until August 2011. From June 2002 to April 2005, Mr. Or worked at Deloitte & Touche Corporate Finance Ltd.. Mr. Or was an investment manager at Temasek

Holdings Ltd. from January 1999 to May 2000 and an investment manager at Prime Partners Asset Management (HK) Ltd., a financial services group providing investment management, advisory and capital raising, from May 2000 to April 2002, where he was responsible for evaluation, implementation and monitoring of direct investment in China and Hong Kong. From September 1997 to February 1999, Mr. Or was an assistant manager at Barclays Capital Asia Limited. Mr. Or also served as a manager of investment banking department at Yamaichi International (H.K.) Ltd., a Japanese investment bank, from July 1993 to September 1997. Mr. Or received a Master's degree in Finance from the Chinese University of Hong Kong in Hong Kong in December 1998 and a Bachelor's degree in Economics from the University of Hong Kong in Hong Kong in December 1992. Mr. Or is a CFA charterholder since 2002.

None of the programmes attended by the Directors or the senior management were long distance learning courses or online courses.

JOINT COMPANY SECRETARIES

Mr. Or Wing Kee and Mr. Wong Kwok Hung Kendrick are our joint company secretaries.

For Mr. Or's biography, see "— Senior Management".

Mr. Wong Kwok Hung Kendrick, aged 46, is a joint company secretary of our Company. Mr. Wong has been a member of both the American Institute of Certified Public Accountants and the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) since 1993, and a member of the California Board of Accountancy since 2004. Mr. Wong received a Bachelor's degree in Science from Illinois State University in the United States in December 1991.

WAIVER FROM RULE 8.12 OF THE LISTING RULES

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver under Rule 8.12 of the Listing Rules regarding the requirement of management presence in Hong Kong. For more details, see "Waiver From Strict Compliance With The Listing Rules and the Companies Ordinance — Management Presence in Hong Kong" in this prospectus.

COMPLIANCE ADVISER

We have appointed Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or grading volume of our Shares.

The terms of the appointment will commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

BOARD COMMITTEES

Audit Committee

We have established an audit committee with terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The audit committee consists of three independent non-executive Directors, namely: Mr. Kwong Kwok Kong, Ms. Cheng Hong and Mr. Sun Jianhua, with Mr. Kwong Kwok Kong being the chairman of the committee.

The primary duties of the audit committee are to assist our Board in providing an independent view of our financial reporting process, internal control and risk management system, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

The audit committee's terms of reference can be accessed at our website at **www.phg.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

Remuneration Committee

We have established a remuneration committee with terms of reference in compliance with Rule 3.25 of the Listing Rules. The remuneration committee consists of one Director and two independent non-executive Directors, namely: Mr. Wang Bing, Mr. Sun Jianhua and Mr. Zhang Liang, with Mr. Wang Bing being the chairman of the committee.

The primary duties of the remuneration committee are to develop remuneration policies of our Directors, evaluate the performance, make recommendations on the remuneration package of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements.

The remuneration committee's terms of reference can be accessed at our website at **www.phg.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

Nomination Committee

We have established a nomination committee with terms of reference in compliance with paragraph A.5.1 of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The nomination committee consists of one Director and two independent non-executive Directors, namely: Ms. Cheng Hong, Mr. Wang Bing, and Mr. Liang Hongze, with Ms. Cheng Hong being the chairwoman of the committee.

The primary function of the nomination committee is to make recommendations to our Board in relation to the appointment and removal of Directors and senior management.

The nomination committee's terms of reference can be accessed at our website at **www.phg.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

The aggregate remuneration and discretionary bonuses paid and benefits in kind granted to our Directors by us and our subsidiaries were RMB0.5 million, RMB3.3 million, RMB4.5 million and RMB2.9 million in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. Details of our Directors' remuneration are also set out in Note 14 to the Accountants' Report in Appendix I to this prospectus.

The Group's five highest paid individuals during the Track Record Period consisted of one Executive Director, whose emoluments were RMB0.2 million, RMB2.9 million and RMB4.0 million in 2010, 2011 and 2012; and consisted of two Directors, whose emoluments were RMB2.4 million for the six months ended June 30, 2013, respectively. The emoluments paid to the remaining highest paid individuals, which included four individuals, were RMB1.0 million, RMB1.3 million and RMB1.7 million in 2010, 2011 and 2012, respectively. The emoluments paid to the remaining highest paid individuals, which included three individuals, were RMB0.8 million for the six months ended June 30, 2013. The aggregate remuneration and discretionary bonuses paid and benefits in kind granted to the Group's five highest paid individuals were RMB1.2 million, RMB4.2 million, RMB5.7 million and RMB3.2 million in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. We do not have any pre-IPO incentive for our Directors, senior management and key employees.

We expect the annual Directors' fee and other emoluments payable by us in 2013 to be approximately RMB6.2 million.

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will have or be deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name	Capacity in which interests are held	Number of Shares	% of shareholding
Speed Key Limited	Beneficial Owner	277,360,000	34.51
Ms. Xu Xiaojie[1]	Interest in a Controlled Corporation	277,360,000	34.51
Senmart Investments Limited	Beneficial Owner	145,920,000	18.16
Mr. Zhu Zhiwei[2]	Interest in a Controlled Corporation	179,120,000	22.29
Hyde International Investment Limited	Beneficial Owner	62,360,000	7.76
Mr. Liang Hongze[3]	Interest in Controlled Corporation	62,360,000	7.76
Green Talent Investments Limited	Beneficial Owner	58,720,000	7.31
Greenwoods Bloom Fund, L.P.[4]	Interest in Controlled Corporation	58,720,000	7.31

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

2 Mr. Zhu Zhiwei controls Senmart Investments Limited and Silvapower Investments Limited. Silvapower Investments Limited is our pre-IPO investor.

3 Mr. Liang Hongze controls Hyde International Investment Limited.

4 Greenwoods Bloom Fund L.P. controls Green Talent Investments Limited.

Other than as specified in the notes to the above table, the above substantial shareholders are not related to one another.

Except as disclosed above, our Directors are not aware of any person who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), have interests or short positions in our Shares or our underlying shares which would fall to be disclosed to us under the provisions of Division 2 and 3 of Part XV of the SFO.

Without taking into account any Shares which may be issued upon the exercise of any Over-allotment Option, the Company's issued share capital immediately following completion of the Global Offering will be as follows:

Authorized share capital:

(Shares)		(HK$)
1,520,000,000	Shares	380,000.00

Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering:

(Shares)		(HK$)
602,720,000	Share in issue as of the date of this prospectus	150,680.00
200,907,000	Shares to be issued under the Global Offering	50,226.75
803,627,000	Shares in total	200,906.75

As of the date of this prospectus, there is no outstanding pre-IPO share options and/or other rights to purchase or convert into our Shares.

Assumptions

The tables above assume the Global Offering becomes unconditional and is completed in accordance with the relevant terms and conditions. It takes no account of (a) any Shares issued upon exercise of any Over-allotment Option; (b) any Shares which may be issued under the general mandate given to our Directors for the allotment and issuance of Shares; or (c) any Shares which may be repurchased by us pursuant to the general mandate given to our Directors for the repurchase of Shares.

Ranking

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

The Share Option Scheme

The Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are set out in "E. Share Option Scheme" in Appendix V to this prospectus.

Circumstances under which general meeting and class meeting are required

Pursuant to the Cayman Companies Law and the terms of the Company's memorandum and articles of association, the Company may from time to time by ordinary shareholders' resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, the Company may reduce or redeem its share capital by shareholders' special resolution. For details, see "Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (c) Alteration of capital" in Appendix IV to this prospectus.

Pursuant to the Cayman Companies Law and the terms of the Company's memorandum and articles of association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, please refer to "Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (d) Variation of rights of existing shares or classes of shares" in Appendix IV to this prospectus.

General Mandate to Issue Shares

Subject to the conditions stated in "Structure of the Global Offering — Conditions of the Global Offering", our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue or the exercise of any subscription rights under the Share Option Scheme or any script dividend scheme or similar arrangements, or any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by our shareholders) with an aggregate nominal value of not more than the sum of:

(a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering; and

(b) the aggregate nominal value of the share capital of the Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This general mandate to issue Shares will remain in effect until:

(a) the conclusion of our Company's next annual general meeting;

(b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable law or our Articles of Association to be held; or

(c) it is varied or revoked by an ordinary resolution of our shareholders in general meeting, whichever is the earliest.

General Mandate to Repurchase Shares

Subject to the conditions stated in "Structure of the Global Offering — Conditions of the Global Offering", our Directors have been granted a general unconditional mandate to exercises all of our powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange and Shares which are recognized by the Securities and Futures Commission and the Stock Exchange for this purpose) with a total nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following completion of the Global Offering.

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the Securities and Futures Commission and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set forth in "Repurchases of our own securities" under Statutory and General Information in Appendix V.

The general mandate to repurchase Shares will remain in effect until the earliest of:

(a) the conclusion of our Company's next annual general meeting;

(b) the expiration of the period within which our Company's next annual general meeting is required by any applicable law or our Articles of Association to be held; or

(c) it is varied or revoked by an ordinary resolution of our Company's shareholders in general meeting.

RULE 8.08 OF THE LISTING RULES

According to Rule 8.08 of the Listing Rules, at the time of the Listing and at all times thereafter, we must maintain the minimum prescribed percentage of 25% of our issued share capital in the hands of the public.

RULE 10.08 OF THE LISTING RULES

Our Directors confirm that we will comply with the requirements of Rule 10.08 of the Listing Rules upon Listing. Rule 10.08 of the Listing Rules provides that we may not issue any further Shares or securities convertible into equity securities or enter into any agreement to make such an issue within six months from the Listing Date.

The following discussion of our financial condition and results of operations should be read in conjunction with our audited combined financial statements, including the notes thereto, as set forth in the Accountants' Report included as Appendix I to this prospectus. Our combined financial statements have been prepared in accordance with IFRSs which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are the largest private hospital group in China as measured by the number of beds in operation and patient visits at our in-network hospitals and clinics in 2012, according to the Frost & Sullivan Report. Our in-network hospitals and clinics offer a full spectrum of healthcare services, from primary preventive care to acute care and post-operative rehabilitation. All of our in-network hospitals and clinics are strategically located in Beijing, one of the largest healthcare markets in China, according to the Frost & Sullivan Report. We own Jian Gong Hospital and manage the following IOT hospitals and clinics: Yan Hua Hospital Group, Mentougou Hospital, Jing Mei Hospital Group and Mentougou Traditional Chinese Medicine Hospital. As of June 30, 2013, our hospital network consisted of 11 general hospitals, one traditional Chinese medicine hospital and 28 community clinics, with a total of 3,213 beds in operation.

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

We grew significantly during the Track Record Period. Our revenue increased from RMB394.1 million in 2010 to RMB509.5 million in 2011 and to RMB758.0 million in 2012, representing a CAGR of 38.7%, and increased by 30.5% from RMB321.5 million in the six months ended June 30, 2012 to RMB419.7 million in the six months ended June 30, 2013. Our net profit increased from RMB49.0 million in 2010 to RMB58.5 million in 2011 and to RMB110.7 million in 2012, representing a CAGR of 50.3%, and increased by 12.9% from RMB46.4 million in the six months ended June 30, 2012 to RMB52.4 million in the six months ended June 30, 2013.

BASIS OF PRESENTATION

In July 2013, our Group completed the Reorganization. For more details, see "History and Reorganization". Following the Reorganization, our Company became the holding company of the companies now comprising our Group. Our Group is regarded as a continuing entity comprising the Company and its subsidiaries following the Reorganization. Accordingly, our combined financial statements have been prepared presenting the financial information of Beijing Phoenix and its subsidiaries for the Track Record Period.

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

Equity interest in subsidiaries held by parties other than the Controlling Shareholders, and changes therein, prior to the Reorganization are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on combination.

For our hospital management services, we do not consolidated the financial statements of any IOT hospital because the ultimate decision-making power under our IOT agreements rests with the respective owners of the IOT hospitals rather than us. In particular:

- we are not the investor or owner of any IOT hospital;

- we are not entitled to any rights similar to that of a shareholder of a company, such as disposal of assets, dividends or distributions, or any entitlements to or residue assets upon liquidation of the IOT hospitals; and

- pursuant to the respective IOT agreements and/or the articles of association of the IOT hospitals, each IOT hospital is required to set up an executive committee (理事會), which is the highest authority of the respective IOT hospitals for making all important decisions, including relevant activities that significantly affect the operation, financial performance and return of the IOT hospitals. Specifically:

  (a) Yan Hua Hospital Group — the executive committee comprises five members, the majority of which are appointed by Yan Hua Phoenix.

  (b) Jing Mei Hospital Group — the executive committee consists of six members, comprising equal number of representatives from us and Beijing Coal, the owner (舉辦人) of Jing Mei Hospital Group. The chairman of the executive committee (理事長) is appointed by Beijing Coal, and the vice chairman (副理事長) and the acting executive (執行理事) are appointed by us. For all important business decisions, the approval of the chairman of the executive committee is required.

  (c) Mentougou Hospital — the executive committee (門頭溝區醫院集團理事會) consists of eight members, comprising equal number of representatives from us and Mentougou District government, the owner (舉辦人) of Mentougou Hospital. The chairman of the executive committee (理事長), who has the right to cast the tie-break vote, is appointed by Mentougou District government.

  (d) Mentougou Traditional Chinese Medicine Hospital — this IOT agreement adopted the same terms regarding the composition of the executive committee as the Mentougou Hospital IOT Agreement. Further, the Mentougou Hospital's executive committee also exercises decision-making powers over important business activities at Mentougou Traditional Chinese Medicine Hospital.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The healthcare service industry in the PRC has experienced strong growth in the last decade from 2002 to 2012 and, according to the Frost & Sullivan Report, the trend is expected to continue. Our financial condition and results of operations benefited from this industry trend during the Track Record Period, and are expected to be significantly affected in the future by the growth or contraction of the healthcare service industry in the PRC. In addition, our financial condition and results of operations in any given period are expected to be affected by the following factors:

- healthcare reform, price control and other healthcare policies in China;
- expansion of our hospital network;
- number of patient visits and average spending per patient visit;
- revenue mix;
- cost and expenses relating to employees; and
- seasonality.

Healthcare Reform, Price Control and Other Healthcare Policies in China

The success of our business largely depends on the progress of the healthcare reform in China. In particular, the rising demand for, and governmental policies relating to, (i) private capital investments in public hospitals and (ii) professional hospital management service providers like us have driven our growth. China's 12th Five-Year Plan targets increasing the number of beds in operation in private hospitals to about 20% of total beds in operation in China by 2015, which would be a significant increase from 13% in 2010. The acceleration of public hospital reform presents us with growth opportunities, while also subjecting us to significant uncertainties and challenges if public hospital reform policies change dramatically in the future.

Prices of a majority of the pharmaceuticals, medical devices and medical consumables, either sold by our supply chain business to our in-network hospitals and clinics, or sold by our in-network hospitals and clinics to patients, are subject to extensive government regulation. The retail prices of medical devices and medical consumables are subject to similar restrictions. For more details on how the "bidding prices" and the retail prices are determined, see "Business — Price Control and Pricing", "PRC Laws, Rules and Regulations — Laws and Regulations on Pharmaceutical Distribution — Regulations on Centralized Pharmaceutical Procurement by Medical Institutions" and "PRC Laws, Rules Regulations — Regulations on the Supervision Over the Procurement of Medical Consumables". Consequently, changes in "bidding price" can affect our results of operations in the following manners:

- *Supply chain business segment*. It affects the revenue of our supply chain business because our supply chain business sells pharmaceuticals, medical devices and medical consumables to our in-network hospitals and clinics at the "bidding prices". It also affects the gross margin of our supply chain business, because depending on whether the "bidding prices" increase or decrease, we will have more or less room to negotiate with suppliers for the same or better gross margins.

- *General hospital services segment.* It affects the revenue of our general hospital services segment by increasing or decreasing the revenue generated from sales of pharmaceuticals, medical devices and medical consumable to patients at Jian Gong Hospital. Higher or lower "bidding prices" lead to higher or lower retail prices, which in turn lead to higher or lower spending per patient visit on pharmaceuticals and medical devices and medical consumable. We do not expect the gross margin of our general hospital services segment to be affected significantly by changes in "bidding prices", because hospitals in China are allowed to charge up to 15% profit margin on sales of pharmaceuticals and medical devices and medical consumable to patients.

- *Hospital management services segment.* It affects our hospital management services segment to the extent such change adversely affects the revenue and net income before tax (收支結餘) of our IOT hospitals and clinics, which in turn affects our management fees.

During the Track Record Period, price controls on pharmaceuticals did not have a significant impact on our results of operations as demonstrated by the average spending on pharmaceuticals per patient visit of our in-network hospitals and clinics during this period. We expect the NDRC and the Beijing government will reduce the "bidding prices" in the future.

In addition, our in-network hospitals and clinics have generated, and we expect to continue to generate, significant revenue from patients covered by China's medical insurance programs. The pricing of healthcare services provided at our in-network hospitals and clinics to a majority of our patients is subject to pricing guidelines set by Beijing Municipal Commission of Development and Reform. For more details, see "Business — Price Control and Pricing". During the Track Record Period, Beijing Municipal Commission of Development and Reform only adjusted service fees for ostomy care (造口護理) on August 16, 2010. Consequently, price controls on healthcare services did not have a material impact on our results of operations during the Track Record Period. There is a trend for local governments to promulgate more detailed regulations on how China's public medical insurance programs should make payments to healthcare facilities.

The changes in the policies and regulations relating to prices of pharmaceuticals and medical devices and medical consumables, or the payment policies and abilities by medical insurance programs, may significantly affect our results of operations and our ability to manage our hospital network and expand our business. As of the Latest Practicable Date, we were not aware of any significant changes, or pending changes, in the policies and regulations relating to the healthcare reform in China.

Expansion of Our Hospital Network

The scale of our hospital network has a significant impact on our revenue across three business segments. Capitalizing on our successful track record in working with the owners of public hospitals, we have significantly expanded our hospital network during the Track Record Period by entering into IOT agreements. Our revenue and profit growth during this period was primarily driven by the growth of our hospital network, which, in particular, contributes to higher revenue and profit from the supply chain business and increased hospital management fees. Our in-network hospitals and clinics grew from two general hospitals, 17 community clinics and 1,103 beds in operation as of January 1, 2010 to 11 general hospitals, one traditional Chinese medicine hospital, 28 community clinics and 3,213 beds in operation as of June 30, 2013. As a result, segment revenue from our supply chain business grew from RMB151.1 million in 2010 to RMB431.0 million in 2012. In addition, the hospital management services fees also increased from RMB16.3 million in 2010 to RMB40.3 million in 2012. Segment revenue from our supply chain business and hospital management services were RMB248.3 million and RMB9.9 million, respectively, in the six months ended June 30, 2013.

Our future growth depends upon our ability to expand our hospital network, among other things. Our ability to expand our hospital network will depend on a number of factors, including: (i) changes to the PRC healthcare policies and regulations, (ii) the reputation of our existing healthcare facilities and doctors; (iii) our financial resources; and (iv) our ability to improve the financial and operational performance of hospitals under our management. Our expansion, whether through equity ownership or the IOT model, will require us to make upfront investments, which could impact our liquidity. Our ability to manage these additional healthcare facilities in a cost-efficient manner determines whether and how quickly we can recover our investment, which may materially affect our revenue and profitability.

In addition, new healthcare facilities added to our hospital network generally experience a ramp-up period during which their operating efficiency may be lower than that of our established healthcare facilities and hence it may take some time before the new facilities begin to generate management fees. In particular, our investments usually involve upgrading the hospital facilities and clinical services when we first take control of its management. Whether we can complete such upgrades as planned also affects how quickly the hospital can resume its normal operations and generate revenue for us as expected.

Although we have no specific target for acquisition or PPP opportunity as of the Latest Practicable Date, we engage in active discussions with potential targets or partners from time to time.

Number of Patient Visits and Average Spending per Patient Visit

Our revenue primarily depends on the number of patient visits and average spending per patient visit, which in turn depends on the ability of our in-network hospitals and clinics to provide quality healthcare services. The number of total patient visits at our in-network hospitals and clinics increased from 1.4 million in 2010 to 2.3 million in 2011 and to 3.0 million in 2012. The total patient visits received by our in-network hospitals and clinics were approximately 1.5 million in the six months ended June 30, 2013.

Our general hospital services segment revenue was RMB288.4 million, RMB324.0 million, RMB403.1 million and RMB214.7 million in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively, while the number of patient visits at Jian Gong Hospital was approximately 392,900, 472,200, 609,300 and 313,700 in the corresponding periods.

We also depend upon the ability of our other in-network hospitals and clinics to attract more patients. Increases in patient visits at these hospitals will increase the revenue of these in-network hospitals and clinics and may lead to an increase in the management fees we are entitled to collect, if the IOT hospital's net income before tax (收支結餘) after deduction of management fees remain positive. Our management fees are subject to various performance criteria, including primarily the annual revenue and net income before tax (收支結餘) of the relevant hospital. Revenue generated by our supply chain business is largely driven by the procurement needs of our in-network hospitals and clinics, which in turn reflects the number of patient visits at these hospitals and clinics. The increase in demand for pharmaceuticals and medical devices and medical consumables at our in-network hospitals and clinics also enables us to negotiate with suppliers for better pricing. It is crucial that we continue to provide quality healthcare services to attract more patients.

The average spending per patient visit also affects our revenue. A patient's spending during his or her visit is determined by the prices of pharmaceuticals sold to such patient and healthcare service fees, both of which are subject to government regulation. The retail price of most pharmaceuticals sold by medical institutions to patients must adhere to a fixed 15% profit margin ceiling set by the PRC government, which means that the retail price cannot exceed 115% of the "bidding price". In addition, for our in-network hospitals and clinics which are Medical Insurance Designated Medical Institutions, they may only charge healthcare service fees in accordance with the pricing guidelines set by the relevant local healthcare administrative authorities, which stipulate a range of healthcare service fees that can be charged for patients covered by public medical insurance programs. For more details, see "Business — Price Control and Pricing". A majority of our in-network hospitals and clinics, including Jian Gong Hospital, are Medical Insurance Designated Medical Institutions.

Revenue Mix

Our gross margin is affected by the revenue mix of our three business segments, due to considerable differences among their respective gross margins. In 2012, revenue derived from our general hospital services segment, hospital management services segment and supply chain business segment represented 46.1%, 4.6% and 49.3% of our total segment revenue, respectively. In the six months ended June 30, 2013, revenue derived from these three segments accounted for 45.4%, 2.1% and 52.5% of our total segment revenue, respectively. Of the three segments, the hospital management services segment had a significantly higher gross margin than the other two segments.

The gross margin of our supply chain business segment increased from 11.8% in 2010 to 15.8% in 2011, 19.2% in 2012 and to 19.2% in the six months ended June 30, 2013, primarily due to (i) greater volume discounts from our suppliers as we consolidated the pharmaceuticals, medical devices and medical consumables needs of our in-network hospitals and clinics and (ii) the implementation of the Hong Hui supply agreement in 2012. For more details on the terms of our agreement with Hong Hui, see "Business — Our Suppliers — Supply agreement with Hong Hui" and "— Description of Components of Results of Operations — Gross Profit — Supply Chain Business". Such gross margin increase in our supply chain business had a positive effect on our overall gross margin.

Cost and Expenses Relating to Employees

Our ability to control the cost and expenses relating to employees affects our profitability. The increase in cost and expenses relating to employees primarily affects our results of operations in two aspects: (i) the profitability of our general hospital services segment, where an increase in costs and expenses may negatively affect our profitability if we are unable to generate commensurate revenue, and (ii) our hospital management segment where an increase in costs and expenses may negatively affect the profitability of IOT hospitals, and in turn negatively affect management fee we are entitled to receive. We have experienced pressure to increase salaries and benefits to recruit and retain quality medical professionals for our general hospital services segment and for the Group as a whole, and expect such pressure to continue to exist in the near future. Our total staff costs (which include Directors' emoluments, salaries and other allowance and retirement benefit contribution), although as a percentage of revenue decreased from 13.8% in 2010 to 11.5% in 2012, increased at a CAGR of 26.8% from RMB54.2 million in 2010 to RMB87.1 million in 2012. The staff costs also increased from RMB37.7 million in the six months ended June 30, 2012 to RMB47.4 million in the six months ended June 30, 2013, representing a year on year growth of 25.7%. These increases in staff costs were primarily attributable to our general hospital services segment, resulting from the increase in the number of employees at Jian Gong Hospital. For example, Jian Gong Hospital's employees increased from 703 as of December 31, 2010 to 718 as of December 31, 2011, 757 as of December 31, 2012 and to 764 as of June 30, 2013.

The hospitals and clinics under our management through IOT agreements directly hire doctors and medical staff, except for the hospital administrators and a limited number of other hospital management personnel appointed or recommended by us. Our management fees under IOT agreements are usually based on the relevant IOT hospitals' performance targets including such hospitals' profits, which in turn are affected by our ability to control the staff costs of such hospitals. For example, to improve the healthcare service quality and in line with our growth plan, Yan Hua Hospital Group recruited more than 80 medical professionals towards the end of 2012, which caused a significant increase in the staff costs of Yan Hua Hospital Group in 2013 and in turn significantly reduced Yan Hua Hospital Group's net income before tax (收支結餘) in the six months ended June 30, 2013. Since the management fees we are entitled to is capped at the Yan Hua Hospital Group's net income before tax (收支結餘) and repayment of investment, the decrease in Yan Hua Hospital Group's net income before tax (收支結餘) and repayment of investment caused significant decrease in the management fees we were entitled to from Yan Hua Hospital Group in the six months ended June 30, 2013.

We currently do not expect significant increases in the staff cost of Jian Gong Hospital and IOT hospitals and clinics in the second half of 2013.

Seasonality

We experience seasonal fluctuations in our revenue and profitability. We typically experience relatively fewer patient visits in the first quarter of a year due to the effect of the Chinese New Year holiday, during which most Chinese usually avoid visiting hospitals. Our in-network hospitals and clinics generally receive more patients in the fourth quarter because people are more susceptible to disease in cold weather. In addition, the management fees we are entitled to under the Yan Hua IOT Agreement and the Jing Mei IOT Agreement are determined based on, among others, a higher management fee rate after such hospitals' performance exceeds certain thresholds for that year. Consequently, we may be entitled to less management fees under the Yan Hua IOT Agreement and the Jing Mei IOT Agreement in the first half of a year than in the second half of such year as a result of staggered management fee formulas. For more details on the terms of our IOT agreements, see "Business — Our Hospital Network". As a result of the foregoing, our interim financial results, including our revenue and profits, may be skewed.

CRITICAL ACCOUNTING POLICIES

Our financial statements have been prepared in accordance with IFRSs. Our significant accounting policies are set forth in Notes 4 and 5 to the Accountants' Report, attached as Appendix I to this prospectus. IFRSs require that we adopt accounting policies and make estimates that our Directors believe are most appropriate under the circumstances for the purposes of giving a true and fair view of our results and financial position. Critical accounting policies are those that require management to exercise judgment and make estimates which yield materially different results if management were to apply different assumptions or make different estimates. We believe that the most complex and sensitive judgments, because of their significance to our financial information, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Actual results in these areas may differ from our estimates. We have identified below the accounting policies that we believe are the most critical to our financial information and that involve the most significant estimates and judgments.

Revenue recognition

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

Service income, which includes management service income and general hospital service income, is recognized when the related services are rendered and when it is probable that the economic benefits from the service rendered will flow to us and such benefit could be reliably measured. We are entitled to management fees for the management services provided to IOT Hospitals. Pursuant to our IOT agreements, the management fees are measured with reference to certain performance indicators of the IOT hospitals, which require estimation made by management. For our interim financials, our management estimates the full year results of operations of an IOT hospital and determines the potential annual management fees we will be entitled to. To the extent the IOT hospital is estimated to experience a loss for the year, no interim management fee revenue will be recognized and we will make provisions of such amount in accordance with the terms of the respective IOT agreements. To the extent that an IOT hospital is not estimated to make a loss, our management will estimate and recognize the interim management fees based on the actual interim results of operations of such IOT hospital in accordance with the relevant IOT agreement. During the Track Record Period, the actual performance results of each of our IOT hospitals and clinics did not vary significantly from our estimation and we therefore did not make any provisions. We record management service income at year-end determined based on the actual performance of each IOT hospital, which is adjusted for certain items specified under the IOT agreements.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied: (i) we have transferred to the buyer the significant risks and rewards of ownership of the goods, (ii) we retain 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, and (iv) it is probable that the economic benefits associated with the transaction will flow to us; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to us and the amount of income can be measured reliably. Interest income from a financial asset 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Intangible assets

Our intangible assets represent the management rights acquired under the IOT agreements and are subject to amortization charges to the cost of sales and services in the combined statements of profit or loss and other comprehensive income over the tenure of the respective IOT agreements. Intangible assets consist of:

(i) the investment amounts that will not be returned to us, including our initial investment under the Yan Hua IOT Agreement in 2008 and investments under the Jing Mei IOT Agreement, and

(ii) the difference between (a) the investment amounts made to IOT hospitals and clinics, which include capital investments under the Mentougou IOT Agreement and the Mentougou TCM Hospital IOT Agreement and certain investments under the Yan Hua IOT Agreement that will be repaid to us pursuant to the terms of the relevant IOT agreements and (b) fair value of the repayable investment amounts determined upon initial recognition. For more details, see "— Receivables from IOT hospitals".

Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. As disclosed under "— Receivables from IOT hospitals", the term of the Yan Hua IOT Agreement is subject to approval by our independent shareholders every three years. The signing of the supplemental agreement to the Yan Hua IOT Agreement as of October 31, 2013, which stipulates such approval requirement, would affect the estimated recoverable amount and useful life of the management rights of Yan Hua Hospital Group under the IOT agreement, which is classified as intangible assets. If the estimated recoverable amount is lower than the carrying amount of the relevant intangible asset, a material impairment may arise which would be recognized in profit or loss for the period in which such event takes place.

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

The following table sets forth the carrying amount of management rights classified as intangible assets as of the dates indicated:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(in thousands of RMB)			
Yan Hua Hospital Group	67,579	110,998	124,281	122,822
Mentougou Hospital	40,583	44,458	42,775	41,620
Jing Mei Hospital Group	—	—	142,110	138,165
Mentougou Traditional Chinese Medicine Hospital	—	—	14,007	13,621
Total	**108,162**	**155,456**	**323,173**	**316,228**

Receivables from IOT hospitals

Pursuant to certain IOT agreements, we made repayable investments to IOT hospitals and clinics in return for the management rights of IOT hospitals and clinics over a tenure ranging from 19 to 48 years and these repayable investment amounts will be repaid to us in equal annual installments during the tenure of these IOT agreements. The fair value of the repayable investment amounts made to the IOT hospitals and clinics under the respective IOT agreements were determined at an effective interest rate of 11.0% per annum upon initial recognition over the tenure of the respective IOT Agreements. The fair values of the repayable investment amounts are then recorded as "Receivables from IOT hospitals" in our financial statements at initial recognition and measured at amortized cost using the effective interest method in subsequent periods.

During the Track Record Period, we used 11.0% as the effective interest rate, which was determined at initial recognition and is estimated by taking into account, amongst various factors, market rates or other interest rates applicable to borrowings of comparable entities (including the interest rates for obligations under finance lease of Jian Gong Hospital).

To the extent that our investment amounts made to our IOT hospitals under IOT agreements will be repaid to us during the tenure of our management, such investment amounts are recorded as receivables from IOT hospitals, including non-current portion, representing the amount that will be returned after one year from the end of the reporting period, and the current portion, representing the amount due within one year from the end of the reporting period. Such investment amounts primarily consist of our investments under the Mentougou IOT Agreement and the Mentougou TCM Hospital IOT Agreement and certain investments under the Yan Hua IOT Agreement.

The term of the Yan Hua IOT Agreement, which is subject to approval by our independent shareholders every three years, has no effect on the investment repayment schedule of Yan Hua Hospital Group with respect to any capital investment made or to be made by us in an amount not less than RMB150.0 million. As a result, the carrying amount of receivables from Yan Hua Hospital Group will continue to be measured at amortized cost and subject to impairment assessment.

The following table sets forth receivables from IOT hospitals as of the dates indicated:

	As of December 31,			As of June 30, 2013
	2010	2011	2012	
	(in thousands of RMB)			
Yan Hua Hospital Group	—	11,916	16,133	17,008
Mentougou Hospital	25,147	29,039	27,842	29,450
Mentougou Traditional Chinese Medicine Hospital	—	—	11,123	10,291
Total	**25,147**	**40,955**	**55,098**	**56,749**
Less: current portion included in prepayments and other receivables	2,826	4,812	6,620	6,353
Non-current portion	22,321	36,143	48,478	50,396

Interest income from receivables from IOT hospitals

Interest income is accrued using the effective interest method by reference to the receivables from IOT hospitals and at the effective interest rate determined at initial recognition of the receivables from IOT hospitals.

Impairment of tangible and intangible assets

At the end of the reporting period, we review the carrying amounts of our tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, we estimate 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. During the Track Record Period, we did not incur any impairment loss relating to our tangible and intangible assets.

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

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

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

Property, plant and equipment

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

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

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

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

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

Estimated useful lives and impairment of property, plant and equipment

Our Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions taking into account of a variety of factors, including relevant PRC tax regulations. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write off or write down obsolete assets that have been abandoned or impaired. When the actual useful lives or recoverable amounts of property, plant and equipment differ from the original estimates, adjustment will be made and recognized in the period in which such event takes place. As of December 31, 2010, 2011 and 2012 and June 30, 2013, the carrying amounts of property, plant and equipment were RMB91.5 million, RMB94.3 million, RMB121.5 million and RMB119.8 million, respectively. During the Track Record Period, there was no change in the estimated useful life of property, plant and equipment. As of the Latest Practicable Date, we were not aware of any events or circumstances that will cause us to change the estimated useful life.

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.

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

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

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

Lease prepayment for land use right

Prepayment for obtaining land use right is accounted for as lease prepayment for land use right and is released to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificate granted for usage by our Group in China and the remaining terms of the operating license of the PRC entity, whichever is the shorter. Lease prepayment for land use right which is to be released to profit or loss in the next 12 months is classified as current assets.

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

In determining whether there is objective evidence of impairment loss, we take into consideration 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 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. As of December 31, 2010, 2011 and 2012 and June 30, 2013, the carrying amounts of trade receivables of our Group were RMB20.1 million, RMB23.8 million, RMB83.0 million and RMB110.5 million, respectively, the carrying amounts of prepayment and other receivables were RMB5.9 million, RMB13.7 million, RMB16.7 million and RMB16.5 million, respectively and the carrying amounts of receivables from IOT hospitals were RMB22.3 million, RMB36.1 million, RMB48.5 million and RMB50.4 million, respectively. During the Track Record Period, we did not incur any impairment loss relating to receivables from IOT hospitals, trade receivables and other receivables.

Provision for medical dispute claims

Our Group may be subject to legal proceedings and claims that arise in the ordinary course of business, which primarily include medical dispute claims brought by the former patients. Provision for medical dispute claims is made based on the status of potential and active claims outstanding at the end of each reporting period, and take into consideration the assessment and analysis of outside counsel 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 our Group.

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

ACCOUNTING TREATMENT FOR CAPITAL INVESTMENTS MADE IN IOT HOSPITALS AND CLINICS

During the Track Record Period, the capital investments we made in our IOT hospitals and clinics are categorized into (a) investment amounts that will not be returned to us and (b) investment amount that will be repaid to us pursuant to the terms of the relevant IOT agreements. The following table sets forth a breakdown of the investment amounts we made in our IOT hospitals by these two categories in the periods indicated:

	Year ended December 31,					Six months ended June 30,
	2008	**2009**	**2010**	**2011**	**2012**	**2013**
			(in millions of RMB)			
Yan Hua Hospital	72[a]	—	—	57[b]	20[b]	—
Mentougou Hospital. .	—	—	65[b]	10[b]	—	—
Mentougou TCM	—	—	—	—	25[b]	—
Jing Mei Hospital	—	—	—	150[a]	—	—

(a) Investment amounts that will not be returned to us.

(b) Investment amounts that will be repaid to us pursuant to the terms of the relevant IOT agreements.

We account for our capital investments made pursuant to the relevant IOT agreements as follows:

Investment amounts that will not be returned to us

Investment amounts that will not be returned to us from IOT hospitals and clinics are accounted for as intangible assets, which represent the management rights acquired pursuant to the IOT agreements and are subject to amortization charges to the cost of sales and services in the combined statements of profit or loss and other comprehensive income over the tenure of the respective IOT agreements.

These investments include our initial investment under the Yan Hua IOT Agreement in 2008 and investments under the Jing Mei IOT Agreement.

Investment amounts that will be repaid to us pursuant to the terms of the relevant IOT Agreements

Our capital investments under the Mentougou IOT Agreement and the Mentougou TCM Hospital IOT Agreement and certain investments under the Yan Hua IOT Agreement are treated as repayable investment amounts because they will be repaid to us pursuant to the terms of the respective IOT agreements. We accounted for these investments as follows:

First, determining the fair value of the repayable investment amounts made to the IOT hospitals and clinics under the respective IOT agreements at an effective interest rate of 11.0% per annum upon initial recognition over the tenure of the respective IOT Agreements. The fair values of the repayable investment amounts are then recorded as "Receivables from IOT hospitals" in our financial statements at initial recognition and measured at amortized cost using the effective interest method in subsequent periods. For more details, see "— Critical Accounting Policies — Receivables from IOT hospitals". The effective interest rate was determined at initial recognition and estimated by taking into account, amongst various factors, market rates or other interest rates applicable to borrowings of comparable entities (including the interest rates for obligations under finance lease of Jian Gong Hospital).

Second, after the receivables from IOT hospitals are determined, the difference between (a) the investment amounts made to the IOT hospitals and clinics and (b) fair value of the investment amounts determined upon initial recognition is accounted for as intangible assets, which represent the management rights acquired pursuant to the IOT agreements that are subject to amortization charges to the cost of sales and services in the combined statements of profit or loss and other comprehensive income over the tenure of the respective IOT agreements.

Third, in subsequent periods:

(a) interest income on receivables from IOT hospitals, which is accrued using the effective interest method by reference to the receivables from IOT hospitals and at the effective interest rate applicable, is recognized as "Other income — interest income on receivables from IOT hospitals" in our combined statements of profit or loss and other comprehensive income; and

(b) when we receive repayment of repayable investment amounts pursuant to the terms of the relevant IOT agreements, such repayment of investment amounts will be recognized in our financial statement as a reduction in the receivables from IOT hospitals when the repayment is made by the relevant IOT hospitals.

DESCRIPTION OF COMPONENTS OF RESULTS OF OPERATIONS

Revenue

We derive revenue from three segments: (i) general hospital services, (ii) hospital management services, and (iii) supply chain business. Our revenue represents total segment revenue after elimination of inter-segment revenue. In 2010, 2011, 2012 and the six months ended June 30, 2012 and June 30, 2013, our revenue was RMB394.1 million, RMB509.5 million, RMB758.0 million, RMB321.5 million and RMB419.7 million, respectively. The following table sets forth the breakdown of our revenue by segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in thousands of RMB)									
General hospital services	288,412	73.2%	323,987	63.6%	403,109	53.2%	188,566	58.6%	214,692	51.2%
Hospital management services	16,348	4.1	19,412	3.8	40,277	5.3	12,647	3.9	9,861	2.3
Supply chain business	151,121	38.3	264,414	51.9	431,020	56.9	175,182	54.5	248,304	59.2
Total segment revenue	**455,881**	**115.7**	**607,813**	**119.3**	**874,406**	**115.4**	**376,395**	**117.1**	**472,857**	**112.7**
Less: inter-segment revenue	61,796	15.7	98,335	19.3	116,374	15.4	54,850	17.1	53,165	12.7
Total	**394,085**	**100%**	**509,478**	**100%**	**758,032**	**100%**	**321,545**	**100%**	**419,692**	**100%**

General hospital services

Our general hospital services segment generated a majority of our revenue during the Track Record Period. Revenue from this segment is derived from Jian Gong Hospital and from premium healthcare services offered under Phoenix VIP services at Jian Gong Hospital. 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.

Our general hospital services segment revenue was RMB288.4 million, RMB324.0 million and RMB403.1 million in 2010, 2011 and 2012, respectively, and RMB188.6 million and RMB214.7 million in the six months ended June 30, 2012 and June 30, 2013, respectively, reflecting the increasing number of patient visits and average spending per patient visit. The total patient visits received by Jian Gong Hospital increased from approximately 392,900 in 2010 to 472,200 in 2011 and to 609,300 in 2012, of which outpatient visits increased from approximately 384,600 in 2010 to 462,600 in 2011 and to 597,900 in 2012 and inpatient visits increased from approximately 8,400 in 2010 to 9,600 in 2011 and to 11,500 in 2012. The total patient visits received by Jian Gong Hospital were approximately 313,700 in the six months ended June 30, 2013, of which approximately 308,200 were outpatient visits and approximately 5,500 were inpatient visits, compared to approximately 271,300 in the six months ended June 30, 2012, of which approximately 265,700 were outpatient visits and approximately 5,600 were inpatient visits. The increase in the number of patient visits was partially offset by a decrease in the average spending per outpatient visit at Jian Gong Hospital from approximately RMB432 in 2010 to RMB415 in 2011 and RMB417 in 2012. The average spending per outpatient visit was approximately RMB403 and RMB431 in the six months ended June 30, 2012 and June 30, 2013. The average spending per inpatient visit remained relatively stable at RMB12,961 in 2010, RMB12,382 in 2011 and RMB13,127 in 2012. The average spending per inpatient visit was approximately RMB13,645 and RMB14,788 in the six months ended June 30, 2012 and June 30, 2013.

Hospital management services

We manage and operate a total of ten general hospitals, one traditional Chinese medicine hospital and 28 community clinics under the IOT model. We provide management services to the hospitals, including formulation and implementation of growth strategies, appointment of hospital administrators and other key personnel, setting annual hospital budget and determination of important operational issues. In return, we receive from each hospital or the hospital owners management fees, primarily calculated with reference to percentage of the 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 our in-network hospitals and clinics. For certain hospitals, our management fees are dependent on profitability and performance reviews. For more details on our management fee formulas, see "Business — Our Hospital Network".

Our hospital management service segment revenue was RMB16.3 million, RMB19.4 million and RMB40.3 million in 2010, 2011 and 2012, respectively. The increase was largely driven by the number of healthcare facilities under our management through IOT agreements, which increased from one hospital and 17 community clinics as of January 1, 2010 to 11 hospitals and 28 community clinics as of December 31, 2012. Our hospital management service segment revenue was RMB9.9 million in the six months ended June 30, 2013 compared to RMB12.6 million in the six months ended June 30, 2012. This decrease was primarily due to decreased management fee from Yan Hua Hospital Group. For more details, see "— Results of Operations — Six Months Ended June 30, 2013 and June 30, 2012 — Revenue". The following table sets forth the management fees generated from our IOT hospitals and clinics for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in thousands of RMB)				
Management fee generated from Yan Hua Hospital Group	16,348	17,995	22,626	6,357	1,865
Management fee generated from Mentougou Hospital[1]	N/A	1,417	5,438	972	2,417
Management fee generated from Jing Mei Hospital[2]	N/A	N/A	12,213	5,318	5,579
Management fee generated from Mentougou Traditional Chinese Medicine Hospital[3]	N/A	N/A	N/A	N/A	—

[1] We began managing Mentougou Hospital in August 2010 and started to collect management fees in 2011.

[2] We began managing Jing Mei Hospital Group in May 2011 and started to collect management fees in 2012.

[3] We began managing Mentougou Traditional Chinese Medicine Hospital in June 2012 and became entitled to collect management fee in 2013, but did not recognize any during the Track Record Period.

Our Directors confirm that all recognitions and receipts of management fees during the Track Record Period were in compliance with relevant IOT agreements.

Supply chain business

Our supply chain business segment revenue is derived from sales of pharmaceuticals, medical devices and medical consumables to our IOT hospitals and clinics. Segment revenue from sales to Jian Gong Hospital is recorded as inter-segment revenue and eliminated from our total revenue. For more details, see Note 7 to the Accountants' Report, attached as Appendix I to this prospectus.

The prices of a majority of pharmaceuticals, medical devices and medical consumables that we source and resell to our in-network hospitals and clinics, primarily those included in the PRC national and provincial medical insurance catalog, are subject to price control mainly in the form of "bidding price", being price ceilings on pharmaceuticals or medical devices and medical consumables sold to the hospitals. For products that are not subject to price control, the prices at which such products are sold to hospitals may be freely set by the market. For more details, see "PRC Laws, Rules and Regulations — Laws and Regulations on Centralized Pharmaceuticals Distribution — Regulations on Centralized Pharmaceutical Procurement by Medical Institutions", "PRC Laws, Rules Regulations — Regulations on the Supervision Over the Procurement of Medical Consumables" and "Business — Our Business Model — Supply Chain Business".

Our supply chain business segment revenue was RMB151.1 million, RMB264.4 million and RMB431.0 million in 2010, 2011 and 2012, respectively. Our supply chain business segment revenue was RMB175.2 million and RMB248.3 million in the six months ended June 30, 2012 and June 30, 2013, respectively. Inter-segment elimination was RMB61.8 million, RMB98.3 million, RMB116.4 million, RMB54.9 million and RMB53.2 million in 2010, 2011, 2012 and the six months ended June 30, 2012 and June 30, 2013, respectively. The growth of our supply chain business is largely tied to the combined demand of our in-network hospitals and clinics, which is primarily driven by the expansion of our hospital network and the increase in patient visits at our in-network hospitals and clinics. The number of total patient visits at our in-network hospitals and clinics increased from 1.4 million in 2010 to 2.3 million in 2011 and 3.0 million in 2012. The total patient visits received by our in-network hospitals and clinics were approximately 1.5 million in the six months ended June 30, 2013.

Cost of Sales and Services

Our cost of sales and services consist of cost of pharmaceuticals and medical devices and medical consumables, staff cost, depreciation and amortization costs, utilities and other expenses. In 2010, 2011, 2012 and the six months ended June 30, 2012 and June 30, 2013, our cost of sales and services was RMB301.2 million, RMB386.7 million, RMB573.2 million, RMB246.5 million and RMB332.3 million, respectively. The following table sets forth the breakdown of our cost of sales and services by segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in thousands of RMB, except percentage data)									
General hospital services	228,177	75.8%	259,157	67.0%	328,831	57.4%	152,003	61.7%	177,748	53.5%
Hospital management services	1,516	0.5	3,168	0.8	12,376	2.2	6,058	2.5	6,944	2.1
Supply chain business	133,267	44.2	222,739	57.6	348,395	60.7	143,263	58.1	200,741	60.4
Total segment cost of sales and services	**362,960**	**120.5**	**485,064**	**125.4**	**689,602**	**120.3**	**301,324**	**122.3**	**385,433**	**116.0**
Less: internal cost of sales and services	61,796	20.5	98,335	25.4	116,374	20.3	54,850	22.3	53,165	16.0
Total	**301,164**	**100.0%**	**386,729**	**100.0%**	**573,228**	**100.0%**	**246,474**	**100.0%**	**332,268**	**100.0%**

General hospital services

The cost of sales and services of our general hospital services represents primarily costs of provision of healthcare services at the Jian Gong Hospital, including costs of pharmaceuticals and medical devices and medical consumables, staff costs, and depreciation and amortization incurred at Jian Gong Hospital. The cost of sales and services incurred by our general hospital services segment increased from RMB228.2 million in 2010 to RMB259.2 million in 2011 and RMB328.8 million in 2012, and from RMB152.0 million in the six months ended June 30, 2012 to RMB177.7 million in the six months ended June 30, 2013, primarily due to the expansion of Jian Gong Hospital's business scale. The following table sets forth the components of our cost of sales and services of our general hospital services segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Amount	% of segment revenue	Amount	% of segment revenue	Amount	% of segment revenue	Amount	% of segment revenue	Amount	% of segment revenue
							(unaudited)			
	(in thousands of RMB, except percentage data)									
Jian Gong Hospital										
Pharmaceutical costs.	129,620	44.9%	140,974	43.5%	169,265	42.0%	78,105	41.4%	92,590	43.1%
Medical devices and medical consumables costs .	34,190	11.9	43,930	13.6	64,311	16.0	29,999	15.9	36,002	16.8
Staff costs.	39,386	13.7	47,553	14.7	59,662	14.8	27,462	14.6	31,644	14.7
Depreciation	14,033	4.9	12,756	3.9	18,107	4.5	8,447	4.5	9,287	4.3
Amortization of land use right	—	—	2,309	0.7	3,463	0.9	1,731	0.9	1,731	0.8
Other	10,825	3.8	11,332	3.5	13,610	3.4	6,052	3.2	6,261	2.9
Subtotal.	**228,054**	**79.1**	**258,854**	**79.9**	**328,418**	**81.5**	**151,796**	**80.5**	**177,515**	**82.7**
Beijing Easylife . . .	123	0.0	303	0.1	413	0.1	207	0.1	233	0.1
Total	**228,177**	**79.1%**	**259,157**	**80.0%**	**328,831**	**81.6%**	**152,003**	**80.6%**	**177,748**	**82.8%**

We expect that the cost of sales and services of our general hospital services segment revenue will continue to increase in line with the business growth of Jian Gong Hospital.

Hospital management services

Cost of sales and services of our hospital management services represents the amortization of intangible assets, which represents all or part of the investments we made pursuant to our IOT agreements. For more details, see "— Critical Accounting Policies — Intangible Assets". Our hospital management services incurred cost of sales and services of RMB1.5 million, RMB3.2 million, RMB12.4 million, RMB6.1 million and RMB6.9 million in 2010, 2011, 2012 and the six months ended June 30 , 2012 and June 30, 2013, respectively. The following table sets forth a breakdown of our cost of sales and services of our hospital management services segment by IOT hospital for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Amount	% of segment revenue	Amount	% of segment revenue	Amount	% of segment revenue	Amount	% of segment revenue	Amount	% of segment revenue
							(unaudited)			
	(in thousands of RMB, except percentage data)									
Amortization of investment in Yan Hua Hospital Group	1,516	9.3%	1,665	8.6%	2,465	6.1%	1,940	15.3%	1,459	14.8%
Amortization of investment in Jing Mei Hospital Group	—	—	—	—	7,890	19.6	3,945	31.2	3,945	40.0
Amortization of investment in Mentougou Hospital	—	—	1,503	7.7	1,683	4.2	109	0.9	1,155	11.7
Amortization of investment in Mentougou Traditional Chinese Medicine Hospital	—	—	—	—	338	0.8	64	0.5	386	3.9
Total	**1,516**	**9.3%**	**3,168**	**16.3%**	**12,376**	**30.7%**	**6,058**	**47.9%**	**6,945**	**70.4%**

We expect that the cost of sales and services of our hospital management services segment revenue will continue to increase as we increase investment in our IOT hospitals, in particular, Yan Hua Hospital Group.

Supply chain business

Cost of sales and services of our supply chain business represents the procurement costs of pharmaceuticals, medical devices and medical consumables for resale to our in-network hospitals and clinics. Our supply chain business incurred cost of sales and services of RMB133.3 million, RMB222.7 million, RMB348.4 million, RMB 143.3 million and RMB200.7 million in 2010, 2011, 2012 and the six months ended June 30, 2012 and June 30, 2013, respectively. The following table sets forth the components of our cost of sales and services of our supply chain business segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Amount	% of segment revenue	Amount	% of segment revenue	Amount	% of segment revenue	Amount	% of segment revenue	Amount	% of segment revenue
							(unaudited)			
	(in thousands of RMB, except percentage data)									
Pharmaceutical costs	112,353	74.3%	181,862	68.8%	229,038	53.1%	95,847	54.7%	121,257	48.8%
Medical devices and medical consumables costs	20,914	13.8%	40,877	15.5	119,357	27.7	47,416	27.1	79,484	32.0
Total	**133,267**	**88.2%**	**222,739**	**84.2%**	**348,395**	**80.8%**	**143,263**	**81.8%**	**200,741**	**80.8%**

We expect that the cost of sales and services of our supply chain business segment revenue will continue to increase as we intend further consolidate the procurement needs of our in-network hospitals and clinics.

Gross Profit

As a result of the foregoing, our gross profit increased from RMB92.9 million in 2010 to RMB122.8 million in 2011 and to RMB184.8 million in 2012, and from RMB75.1 million in the six months ended June 30, 2012 to RMB87.4 million in the six months ended June 30, 2013. Our gross margin also increased from 23.6% in 2010 to 24.1% in 2011 and to 24.4% in 2012, reflecting higher revenue contributions of hospital management services, which has higher gross margins, as well as the improved gross margin of our supply chain business. Our gross margin decreased from 23.3% in the six months ended June 30, 2012 to 20.8% in the six months ended June 30, 2013, primarily reflecting the decrease in hospital management services gross margin. The following table sets forth the breakdown of our gross profit by segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Amount	% of segment revenue	Amount	% of segment revenue	Amount	% of segment revenue	Amount	% of segment revenue	Amount	% of segment revenue
							(unaudited)			
	(in thousands of RMB, except percentage data)									
General hospital services	60,235	20.9%	64,830	20.0%	74,278	18.4%	36,563	19.4%	36,944	17.2%
Hospital management services	14,832	90.7	16,244	83.7	27,901	69.3	6,589	52.1	2,917	29.6
Supply chain business	17,854	11.8	41,675	15.8	82,625	19.2	31,919	18.2	47,563	19.2
Total	**92,921**	**23.6%**	**122,749**	**24.1%**	**184,804**	**24.4%**	**75,071**	**23.3%**	**87,424**	**20.8%**

General hospital services

The gross margin of general hospital services segment decreased from 20.9% in 2010 to 20.0% in 2011 and to 18.4% in 2012, primarily due to increased costs of medical devices and medical consumables, staff costs and depreciation. The gross margin of general hospital services segment decreased from 19.4% in the six months ended June 30, 2012 to 17.2% in the six months ended June 30, 2013, mainly because sales of pharmaceuticals, which generally have lower gross margins compared to that for healthcare services, increased as a percentage of our general hospital services revenue.

Hospital management services

Our gross margin for hospital management services segment depends on (a) the amount of management fees we generate and (b) whether additional investments are required for IOT hospitals that would lead to a corresponding increase in the annual amortization amount. The gross margin of hospital management services segment decreased from 90.7% in 2010 to 83.7% in 2011 and to 69.3% in 2012, primarily because we began to amortize our investments, on a straight-line basis, in Mentougou Hospital in 2011 and in Jing Mei Hospital Group in 2012. The gross margin of our hospital management services segment decreased from 52.1% in the six months ended June 30, 2012 to 29.6% in the six months ended June 30, 2013, primarily due to the decreased management fee from Yan Hua Hospital Group.

Supply chain business

The gross margin of our supply chain business segment increased from 11.8% in 2010 to 15.8% in 2011, 19.2% in 2012 and 19.2% in the six months ended June 30, 2013, primarily due to (a) greater volume discounts we were able to secure from our suppliers as we consolidated the pharmaceuticals, medical devices and medical consumables needs of our in-network hospitals and clinics and (b) the implementation of the Hong Hui supply agreement in 2012. In addition, we negotiate volume discounts and payment terms with our suppliers based on the combined procurement volume of all in-network hospitals and clinics, which also enables us to obtain higher discounts and better payment terms from our suppliers than our individual in-network hospital would have been able to.

To further consolidate our procurement needs and to achieve better efficiency and greater economies of scale, we entered into a one-year supply agreement with Hong Hui on January 10, 2012 for the supply of pharmaceuticals to Jian Gong Hospital, Yan Hua Hospital Group and Jing Mei Hospital Group. The agreement was renewed for one year on December 27, 2012 and October 22, 2013, respectively. The newly signed supply agreement with Hong Hui on October 22, 2013 will expire on December 31, 2014 and may be renewed upon mutual consent prior to November 30, 2014. 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 the Excluded Pharmaceuticals. Upon receiving our consolidated pharmaceutical orders, Hong Hui will either supply pharmaceuticals to these three hospitals directly or through our supply chain business, or arrange other suppliers to supply such pharmaceuticals directly to the three hospitals. The Excluded Pharmaceuticals represent less than 5% of the total purchases by these three hospitals in 2012 and in the six months ended June 30, 2013. The following table sets forth the segment revenue, segment gross profit and segment gross margin of our supply chain business after we engaged Hong Hui for the periods indicated:

	Year ended December 31,	Six months ended June 30,		
	2012	2012	2013	*(Notes)*
	(in millions of RMB, except percentage data)			
Supply chain business segment revenue	431.0	175.2	248.3	*A*
Supply chain business gross profit	82.6	31.9	47.6	*B*
Supply chain business segment gross margin (%)	19.2%	18.2%	19.2%	*C=B/A*

In consideration for granting Hong Hui the priority to supply pharmaceuticals to these three hospitals, Hong Hui agrees to provide us with the Minimum Economic Benefit. The Minimum Economic Benefit is reconciled monthly. If the gross profit we generate from the resale of pharmaceuticals to the three hospitals is less than the Minimum Economic Benefit, Hong Hui will arrange to pay us the difference between the gross profit generated and the Minimum Economic Benefit. These payments for such difference are reflected as "other income". For more details on our agreement with Hong Hui, see "Business — Our Suppliers — Supply agreement with Hong Hui".

Based on the information extracted from the Hospital Information Systems (HIS) of Jian Gong Hospital, Yan Hua Hospital Group and Jing Mei Hospital Group, the three hospitals purchased a total of approximately RMB625.3 million, RMB 254.5 million and RMB363.5 million of pharmaceuticals (excluding the purchases of the Excluded Pharmaceuticals) in 2012 and the six months ended June 30, 2012 and June 30, 2013, respectively, pursuant to the Hong Hui supply agreement, of which approximately RMB339.7 million, RMB137.1 million and RMB228.6 million of pharmaceuticals were purchased from Hong Hui or suppliers arranged by Hong Hui during the corresponding period. These three hospitals purchased the remaining pharmaceuticals from us directly. The following table sets forth the total pharmaceutical purchases by the three hospitals pursuant to the supply agreement with Hong Hui for the periods indicated:

	Year ended December 31,	Six months ended June 30,		
	2012	2012	2013	*(Notes)*
	(in millions of RMB)			
Pharmaceuticals purchased by the three hospitals pursuant to the supply agreement with Hong Hui	625.3	254.5	363.5	*D*
including : pharmaceuticals supplied by Hong Hui or suppliers arranged by Hong Hui.	339.7	137.1	228.6	*E*

We were entitled to RMB84.9 million of Minimum Economic Benefit from our agreement with Hong Hui in 2012, of which RMB28.4 million was recorded as fee income in other income because the corresponding sales of pharmaceuticals to these three hospitals were conducted between these three hospitals and suppliers (including Hong Hui) directly. The Minimum Economic Benefit in the six months ended June 30, 2012 and June 30, 2013 was RMB34.0 million and RMB50.5 million, respectively, of which RMB12.5 million and RMB23.0 million was recorded as fee income from suppliers in other income, respectively. The following table sets forth the Minimum Economic Benefit for the periods indicated:

	Year ended December 31,	Six months ended June 30,		
	2012	2012	2013	*(Notes)*
	(in millions of RMB)			
Minimum Economic Benefit	84.9	34.0	50.5	*F*
including: fee income from suppliers	28.4	12.5	23.0	*G*

If we had (a) reflected in the revenue of our supply chain business the purchases of pharmaceuticals by Jian Gong Hospital, Yan Hua Hospital Group and Jing Mei Hospital Group 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 from Hong Hui and other suppliers arranged by Hong Hui, our gross margin for the supply chain business segment in 2012 and the six months ended June 30, 2012 and June 30, 2013 would have been approximately 14.4%, 14.2% and 14.8%, respectively. The following table illustrates how these percentages are arrived for the periods indicated:

	Year ended December 31, 2012	Six months ended June 30, 2012	Six months ended June 30, 2013	*(Notes)*
	(in millions of RMB, except percentage data)			
Supply chain business segment revenue *plus* pharmaceuticals purchased by the three hospitals supplied by Hong Hui or suppliers arranged by Hong Hui	770.7	312.3	476.9	*H=A+E*
Supply chain business segment gross profit *plus* fee income payment	111.0	44.4	70.6	*I=B+G*
	14.4%	14.2%	14.8%	*J=I/H*

Going forward, as we further consolidate all the procurement needs of our in-network hospitals and clinics and reduce the pharmaceuticals, medical devices and medical consumables sold directly by Hong Hui or suppliers to our in-network hospitals, we expect that the gross margin of the supply chain business (i) will still be affected by the Hong Hui supply agreement given the impact of (a) and (b) described above and (ii) will primarily be affected by gross margins of different kinds of pharmaceuticals, medical devices and medical consumables we procure.

Other income

Our other income principally consists of (i) fee income from Hong Hui and suppliers arranged by Hong Hui; (ii) interest derived from receivables from IOT hospitals; (iii) interest and investment income derived from bank deposits and short-term financial products; and (iv) government grants. Our fee income from Hong Hui and from suppliers arranged by Hong Hui of RMB28.4 million, RMB12.5 million and RMB23.0 million in 2012 and the six months ended June 30, 2012 and June 30, 2013, respectively, was generated from our procurement arrangements with Hong Hui. For more details, see "— Gross Profit — Supply Chain Business". In 2010, 2011, 2012 and the six months ended June 30, 2012 and June 30, 2013, our interest and investment income was RMB1.7 million, RMB7.4 million, RMB7.9 million, RMB3.8 million and RMB4.0 million, respectively. We also received RMB0.4 million, RMB0.2 million and RMB0.2 million from various governments or government agencies in 2010, 2011 and 2012, respectively, primarily in recognition of our successful control of medical costs.

The following table sets forth a breakdown of our other income by component for the periods indicated:

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

Other gains and losses

Our other gains and losses represent net gains or losses on disposal of property, plant and equipment and, for the six months ended June 30, 2013, loss on foreign exchange. We incurred net losses of RMB0.3 million and RMB0.01 million in 2010 and 2011, respectively, and net gains of RMB0.2 million and RMB0.2 million in 2012 and the six months ended June 30, 2012, respectively, from disposal of property, plant and equipment. Our other losses of RMB0.5 million in the six months ended June 30, 2013 were primarily due to unrealized loss on foreign exchange, which primarily reflected the depreciation, caused by negative exchange rate movement, of the cash received from our pre-IPO investors in connection with our Reorganization denominated in U.S. dollar.

Selling and distribution expenses

Our selling and distribution expenses mainly comprise staff costs of our supply chain business segment and logistic expenses. In 2010, 2011, 2012 and the six months ended June 30, 2012 and June 30, 2013, our selling and distribution expenses were RMB0.8 million, RMB3.4 million, RMB6.4 million, RMB2.2 million and RMB4.7 million, respectively. We expect that our selling and distribution expenses will continue to increase in line with our business expansion.

Administrative expenses

Our administrative expenses mainly comprise (i) employee benefits and expenses, most of which are attributable to our general hospital services segment, (ii) depreciation and amortization, (iii) office expenses and utilities and (iv) professional fees. In 2010, 2011, 2012 and the six months ended June 30, 2012 and June 30, 2013, our administrative expenses were RMB25.7 million, RMB29.3 million, RMB43.5 million, RMB17.0 million and RMB25.1 million, respectively. We expect that our administrative expenses will continue to increase in line with our business expansion.

Segment results

Segment results represent the profit before income tax generated by each segment and unallocated finance cost related to borrowings, except for the general hospital services segment. We use this measure to assess segment performance. For more details, see Note 7 to the Accountants' Report in Appendix I to this prospectus. The following table sets forth the segment results for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in thousands of RMB)				
General hospital services	38,628	41,164	40,759	23,025	16,334
Hospital management services	13,869	19,264	26,588	7,805	2,503
Supply chain business	15,532	37,148	102,999	41,880	64,165

Finance costs

Our finance costs mainly comprise interest expenses on borrowings and finance leases, and guarantee fees for borrowings. In 2010, 2011, 2012 and the six months ended June 30, 2012 and June 30, 2013, our interest on borrowings and guarantee fees for borrowings were RMB3.0 million, RMB18.9 million, RMB23.9 million, RMB 11.1 million and RMB11.1 million, respectively. In 2012, we also started to use finance leases to acquire certain medical equipment used for our general hospital services and incurred RMB0.5 million in finance leases interest. The cost attributable to such finance leases was RMB0.4 million in the six months ended June 30, 2013.

Income tax expense

Our income tax expenses comprise PRC EIT and deferred tax. The PRC subsidiaries of our Group are subject to an EIT tax rate of 25%. Our effective tax rates for 2010, 2011, 2012 and the six months ended June 30, 2012 and June 30, 2013 was 24.6%, 25.7%, 24.8%, 24.7% and 25.3%, respectively.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in thousands of RMB)				
EIT	16,003	20,274	37,415	15,966	19,386
Deferred tax	20	(57)	(871)	(751)	(1,641)
Total	**16,023**	**20,217**	**36,544**	**15,215**	**17,745**

During the Track Record Period, we have paid all relevant taxes and had no disputes or any unresolved tax issues with relevant tax authorities.

RESULTS OF OPERATIONS

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
							(unaudited)			
	(in thousands of RMB, except percentage data)									
Revenue	394,085	100.0%	509,478	100.0%	758,032	100.0%	321,545	100%	419,692	100%
Cost of sales and services	(301,164)	(76.4%)	(386,729)	(75.9%)	(573,228)	(75.6%)	(246,474)	76.7%	(332,268)	79.2%
Gross profit	92,921	23.6%	122,749	24.1%	184,804	24.4%	75,071	23.3%	87,424	20.8%
Other income	2,735	0.7%	8,286	1.6%	37,584	5.0%	16,811	5.2%	27,545	6.6%
Other gains and losses	(307)	(0.1%)	(13)	0.0%	236	0.0%	236	0.1%	(452)	(0.1%)
Selling and distribution expenses	(834)	(0.2%)	(3,426)	(0.6%)	(6,412)	(0.9%)	(2,157)	(0.7%)	(4,747)	(1.1%)
Administrative expenses	(25,663)	(6.5%)	(29,326)	(5.8%)	(43,500)	(5.7%)	(17,004)	(5.3%)	(25,107)	(6.0%)
Finance costs	(2,997)	(0.8%)	(18,858)	(3.7%)	(24,379)	(3.2%)	(11,131)	(3.5%)	(11,531)	(2.7%)
Other expenses	(823)	(0.2%)	(694)	(0.1%)	(1,055)	(0.2%)	(247)	(0.1%)	(2,971)	0.7%
Profit before tax	**65,032**	**16.5%**	**78,718**	**15.5%**	**147,278**	**19.4%**	**61,579**	**19.1%**	**70,161**	**16.7%**
Income tax expense	(16,023)	(4.1%)	(20,217)	(4.0%)	(36,544)	(4.8%)	(15,215)	(4.7%)	(17,745)	(4.2%)
Profit and total comprehensive income for the year	**49,099**	**12.4%**	**58,501**	**11.5%**	**110,734**	**14.6%**	**46,364**	**14.4%**	**52,416**	**12.5%**
Attributable to:										
Owners of the Company	42,812	10.8%	48,130	9.5%	101,088	13.3%	38,827	12.1%	50,354	12.0%
Non-controlling interests	6,197	1.6%	10,371	2.0%	9,646	1.3%	7,537	2.3%	2,062	0.5%

Six Months Ended June 30, 2013 and June 30, 2012

Revenue

Our revenue increased by 30.5% from RMB321.5 million in the six months ended June 30, 2012 to RMB419.7 million in the six months ended June 30, 2013, due to increase in revenue generated from our supply chain business and, to a lesser extent, our general hospital services business. Our revenue from hospital management services business, however, decreased in the six months ended June 30, 2013 compared to the same period in 2012 for the reasons stated below.

Our general hospital services business segment revenue increased by 13.8% from RMB188.6 million in the six months ended June 30, 2012 to RMB214.7 million in the six months ended June 30, 2013. The increase was primarily due to a 15.6% increase in total patient visits compared to the six months ended June 30, 2012, and an increase in the average spending per outpatient visit from RMB403 in the six months ended June 30, 2012 to RMB431 in the six months ended June 30, 2013. Outpatient visits at Jian Gong Hospital increased from approximately 265,700 in the six months ended June 30, 2012 to 308,200 in the six months ended June 30, 2013, and inpatient visits decreased from approximately 5,600 in the six months ended June 30, 2012 to 5,500 in the six months ended June 30, 2013. The decrease in inpatient visits was mainly due to renovations of wards at Jian Gong Hospital.

Our hospital management services business segment revenue decreased by 21.4% from RMB12.6 million in the six months ended June 30, 2012 to RMB9.9 million in the six months ended June 30, 2013, primarily due to a RMB4.5 million decrease of management fee from Yan Hua Hospital Group, which was partially offset by a RMB1.4 million increase in management fees from Mentougou Hospital. The management fee we are entitled to from the Yan Hua Hospital Group decreased from RMB6.4 million in the six months ended June 30, 2012 to RMB1.9 million in the six months ended June 30, 2013 due to a decrease in the net income before tax ("收支結餘") and before payment of management fees of the Yan Hua Hospital Group during the corresponding period. The decrease primarily resulted from an increase in the staff cost of Yan Hua Hospital Group outpacing the revenue growth of Yan Hua Hospital Group. The increase in staff cost was primarily due to (i) a material increase in the base salary and bonus payments and (ii) an increase in the number of employees, which is in line with the management's strategy of further improving the service quality. As the management fees we are entitled to should not exceed the Yan Yua Hospital Group's net income before tax ("收支結餘") and repayment of investment, the management fees we are entitled to from the Yan Hua Hospital Group decreased accordingly. For more details on how to determine management fees from the Yan Hua Hospital Group, see "Business — Our Hospital Network — Yan Hua Hospital Group — Yan Hua IOT Agreement". The increase in the management fee from Mentougou Hospital was primarily due to an increase in Mentougou Hospitals net income ("收支結餘"). This was primarily due to an increase in patient visits and average spending per patient visit.

Our supply chain business segment revenue increased by 41.7% from RMB175.2 million in the six months ended June 30, 2012 to RMB248.3 million in the six months ended June 30, 2013. The increase was primarily driven by an increase in the volumes of pharmaceuticals, medical devices and medical consumables we sold to in-network hospitals and clinics as we further consolidate the procurement needs of these hospitals. It was also driven by the expansion of sales to Mentougou Hospital, which we did not supply in early 2012.

Cost of sales and services

Our cost of sales and services increased by 34.8% from RMB246.5 million in the six months ended June 30, 2012 to RMB332.3 million in the six months ended June 30, 2013, primarily due to the following reasons:

Cost of sales and services for our general hospital services business increased by 16.9% from RMB152.0 million in the six months ended June 30, 2012 to RMB177.7 million in the six months ended June 30, 2013, mainly due to (i) increased costs for pharmaceuticals, medical devices and medical consumables in line with the expanded operations at Jian Gong Hospital and (ii) increase employee expenses and benefits.

Cost of sales and services for our hospital management services increased by 13.1% from RMB6.1 million in the six months ended June 30, 2012 to RMB6.9 million in the six months ended June 30, 2013, primarily because we made additional investments in Yan Hua Hospital Group in November 2012 and in Mentougou Traditional Chinese Medicine Hospital in June 2012, which led to additional amortization charges. For more details, see "Critical Accounting Policies — Intangible Assets".

Cost of sales and services for our supply chain business increased by 40.1% from RMB143.3 million in the six months ended June 30, 2012 to RMB200.7 million in the six months ended June 30, 2013, mainly due to an increase in sales volume in line with the growth of our supply chain business.

Gross profit

As a result of the foregoing, our gross profit increased by 16.4% from RMB75.1 million in the six months ended June 30, 2012 to RMB87.4 million in the six months ended June 30, 2013. Our gross margin decreased from 23.3% in the six months ended June 30, 2012 to 20.8% in the six months ended June 30, 2013, reflecting primarily the decrease in hospital management services gross margin.

Our general hospital services gross profit increased from RMB36.6 million in the six months ended June 30, 2012 to RMB36.9 million in the six months ended June 30, 2013. The gross margin of general hospital services decreased from 19.4% in the six months ended June 30, 2012 to 17.2% in the six months ended June 30, 2013, mainly because sales of pharmaceuticals, which generally have lower gross margins compared to that for healthcare services, has increased as a percentage of our general hospital services revenue.

Our hospital management services gross profit decreased from RMB6.6 million in the six months ended June 30, 2012 to RMB2.9 million in the six months ended June 30, 2013. The gross margin of hospital management services decreased from 52.1% in the six months ended June 30, 2012 to 29.6% in the six months ended June 30, 2013, primarily due to the decreased management fees from the Yan Hua Hospital Group and relatively stable amortization charges of our management rights which were recorded as intangible assets that are subject to amortization. For more details, see "Description of Components of Results of Operations — Gross Profit — Hospital Management Services".

Our supply chain business gross profit increased from RMB31.9 million in the six months ended June 30, 2012 to RMB47.6 million in the six months ended June 30, 2013. For more details, see "— Description of Components of Results of Operations — Gross Profit — Supply Chain Business". The segment gross margin of supply chain business increased from 18.2% in the six months ended June 30, 2012 to 19.2% in the six months ended June 30, 2013, mainly due to economies of scale and greater negotiation power and our integration of pharmaceuticals, medical devices and medical consumables and the Hong Hui supply agreement.

Other income

Our other income increased significantly from RMB16.8 million in the six months ended June 30, 2012 to RMB27.5 million in the six months ended June 30, 2013, primarily due to the increase in fee income from RMB12.5 million to RMB23.0 million in the six months ended June 30, 2013 from Hong Hui and other suppliers arranged by Hong Hui pursuant to the Hong Hui supply agreement, which was due to the increase in purchase amounts of Jian Gong Hospital, the Yan Hua Hospital Group and the Jing Mei Hospital Group. For more details, see "— Description of Components of Results of Operations — Gross Profit — Supply Chain Business". Our interest and investment income rose by 5.3% from RMB3.8 million in the six months ended June 30, 2012 to RMB4.0 million in the six months ended June 30, 2013, primarily due to increased interest derived from receivables from IOT hospitals, partially set off by a decrease in the interest from our short-term investments.

Other gains and losses

We generated other gain of RMB0.2 million in the six months ended June 30, 2012 from disposal of property, plant and equipment while we incurred other losses of RMB0.5 million in the six months ended June 30, 2013, primarily due to unrealized loss on foreign exchange, which primarily reflected the depreciation, caused by negative exchange rate movement, of the cash received from our pre-IPO investors in connection with our Reorganization, which was denominated in U.S. dollar.

Selling and distribution expenses

Our selling and distribution expenses increased significantly from RMB2.2 million in the six months ended June 30, 2012 to RMB4.7 million in the six months ended June 30, 2013, primarily due to increased staff costs of our supply chain business segment as we increased compensation and hired more staff, as well as increased logistic costs resulting from the higher purchase volumes of our supply chain business.

Administrative expenses

Our administrative expenses increased by 47.7% from RMB17.0 million in the six months ended June 30, 2012 to RMB25.1 million in the six months ended June 30, 2013, primarily due to rental and establishment expenses of our Hong Kong office and increased employee benefits and expenses, most of which are attributable to the general hospital services segment.

Finance costs

Our finance costs increased by 3.6% from RMB11.1 million in the six months ended June 30, 2012 to RMB11.5 million in the six months ended June 30, 2013, primarily due to our finance lease cost and interest expenses.

Other expenses

Our other expenses increased from RMB0.2 million in the six months ended June 30, 2012 to RMB3.0 million in the six months ended June 30, 2013, primarily reflecting professional fees in relation to a potential equity fundraising and the Global Offering.

Income tax expense

Our income tax expense increased by 16.4% from RMB15.2 million for the six months ended June 30, 2012 to RMB17.7 million in the six months ended June 30, 2013, primarily because our profit before tax increased in the six months ended June 30, 2013. Our effective income tax rate was 24.7% and 25.3%, respectively, for the six months ended June 30, 2012 and June 30, 2013.

Profit and total comprehensive income

As a result of the foregoing, our profit and total comprehensive income increased by 12.9% from RMB46.4 million in the six months ended June 30, 2012 to RMB52.4 million in the six months ended June 30, 2013.

Years Ended December 31, 2012 and December 31, 2011

Revenue

Our revenue increased by 48.8% from RMB509.5 million in 2011 to RMB758.0 million in 2012, due to increases in revenue generated from each of our three segments, in particular, from our supply chain business and, to a lesser extent, our general hospital services business and hospital management services business.

Our general hospital services business segment revenue increased by 24.4% from RMB324.0 million in 2011 to RMB403.1 million in 2012. The increase was primarily due to a 29.0% increase in total patient visits compared to 2011, and an increase in the average spending per outpatient visit from RMB415 in 2011 to RMB417 in 2012. The increase in patient visits was mainly due to expanded operations at Jian Gong Hospital. We completed substantially all of the upgrades and renovations of Jian Gong Hospital towards the end of 2011 and all departments became fully operational in 2012. Outpatient visits at Jian Gong Hospital increased from approximately 462,600 in 2011 to 597,900 in 2012, and inpatient visits increased from approximately 9,600 in 2011 to 11,500 in 2012.

Our hospital management services business segment revenue increased by 107.7% from RMB19.4 million in 2011 to RMB40.3 million in 2012, primarily due to management fee of RMB12.2 million we generated from Jing Mei Hospital Group in 2012, being the first year in which management fees were generated from Jing Mei Hospital Group. We also generated increased management fees from Yan Hua Hospital Group and Mentougou Hospital primarily because these two IOT hospitals generated more revenue and net income before tax and before payment of management fees in 2012.

Our supply chain business segment revenue increased by 63.0% from RMB264.4 million in 2011 to RMB431.0 million in 2012. The increase was primarily driven by the expansion of sales to more in-network hospitals and clinics and an increase in the volumes of the pharmaceuticals, medical devices and medical consumables we sold to each in-network hospital as these hospitals expanded their operations.

Cost of sales and services

Our cost of sales and services increased by 48.2% from RMB386.7 million in 2011 to RMB573.2 million in 2012, primarily due to the following reasons:

Cost of sales and services for our general hospital services business increased from RMB259.2 million in 2011 to RMB328.8 million in 2012, mainly due to increased costs for pharmaceuticals, medical devices and medical consumables in line with the expanded operations at Jian Gong Hospital.

Cost of sales and services for our hospital management services increased from RMB3.2 million in 2011 to RMB12.4 million in 2012, primarily because we started amortizing our investment in Jing Mei Hospital Group in 2012. For more details, see "— Critical Accounting Policies — Intangible Assets".

Cost of sales and services for our supply chain business increased from RMB222.7 million in 2011 to RMB348.4 million in 2012, mainly due to an increase in sales volume as we further consolidated procurement needs of our in-network hospitals and clinics as well as the expansion of their operations.

Gross profit

As a result of the foregoing, our gross profit increased by 50.6% from RMB122.7 million in 2011 to RMB184.8 million in 2012. Our gross margin rose from 24.1% in 2011 to 24.4% in 2012, reflecting primarily the increase in our revenue from supply chain business and hospital management services business and improved gross margin of our supply chain business.

Our general hospital services gross profit increased from RMB64.8 million in 2011 to RMB74.3 million in 2012. The gross margin of general hospital services decreased slightly from 20.0% in 2011 to 18.4% in 2012, mainly due to increased costs of medical devices and medical consumables relating to Jian Gong Hospital.

Our hospital management services gross profit increased from RMB16.2 million in 2011 to RMB27.9 million in 2012. The gross margin of hospital management services decreased from 83.7% in 2011 to 69.3% in 2012, primarily due to the fact that we began amortizing our investment in Jing Mei Hospital Group in 2012. For more details, see "— Description of Components of Results of Operations — Gross Profit — Hospital Management Services".

Our supply chain business gross profit increased from RMB41.7 million in 2011 to RMB82.6 million in 2012. For more details, see "— Description of Components of Results of Operations — Gross Profit — Supply Chain Business". The segment gross margin of supply chain business increased from 15.8% in 2011 to 19.2% in 2012, mainly due to further consolidation of our purchases of pharmaceuticals, medical devices and medical consumables and the implementation of the Hong Hui supply agreement.

Other income

Our other income increased significantly from RMB8.3 million in 2011 to RMB37.6 million in 2012, primarily due to fee income of RMB28.4 million from Hong Hui and other suppliers arranged by Hong Hui pursuant to the Hong Hui supply agreement in 2012. For more details, see "— Description of Components of Results of Operations — Gross Profit — Supply Chain Business". Our interest and investment income rose by 6.8% from RMB7.4 million in 2011 to RMB7.9 million in 2012 due to increased interest derived from receivables from IOT hospitals, partially set off by a decrease in the interest from our short-term investments.

Other gains and losses

We had other net losses of RMB0.01 million in 2011 compared to other net gains of RMB0.2 million in 2012, due to net gains and losses from disposal of property, plant and equipment.

Selling and distribution expenses

Our selling and distribution expenses increased by 88.2% from RMB3.4 million in 2011 to RMB6.4 million in 2012, primarily due to increased staff costs of our supply chain business segment as we hired more staff and increased compensation to senior management as well as, to a lesser extent, increased logistic costs.

Administrative expenses

Our administrative expenses increased by 48.5% from RMB29.3 million in 2011 to RMB43.5 million in 2012, primarily due to the increased employee benefits and expenses, most of which are attributable to the general hospital services segment, and to a lesser extent, utilities and professional fees.

Finance costs

Our finance costs increased by 29.1% from RMB18.9 million in 2011 to RMB24.4 million in 2012, primarily due to an increase in expense on borrowings to finance (i) the acquisition of management rights of Jing Mei Hospital Group and (ii) our investments in Jing Mei Hospital Group, Yan Hua Hospital Group and Mentougou Hospital under the relevant IOT agreements.

Income tax expense

Our income tax expense increased by 80.7% from RMB20.2 million 2011 to RMB36.5 million in 2012, primarily because our profit before tax increased in 2012. Our effective income tax rate was 25.7% and 24.8%, respectively, in 2011 and 2012.

Profit and total comprehensive income

As a result of the foregoing, our profit and total comprehensive income increased by 89.2% from RMB58.5 million in 2011 to RMB110.7 million in 2012.

Years Ended December 31, 2011 and December 31, 2010

Revenue

Our revenue increased by 29.3% from RMB394.1 million in 2010 to RMB509.5 million in 2011, due to increases in revenue generated from each of our three segments, in particular, from our supply chain business and, to a lesser extent, our general hospital services business and hospital management services business.

Our general hospital services business segment revenue increased by 12.3% from RMB288.4 million in 2010 to RMB324.0 million in 2011. The increase in revenue was primarily due to a 20.3% increase in outpatient visits compared to 2010, partially offset by the decrease in the average spending per outpatient visit from RMB432 in 2010 to RMB415 in 2011. The increase in outpatient visits from approximately 384,600 in 2010 to 462,600 in 2011 was mainly due to expanded operations at Jian Gong Hospital. Inpatient visits also increased from approximately 8,400 in 2010 to 9,600 in 2011.

Our hospital management services business segment revenue increased by 19.0% from RMB16.3 million in 2010 to RMB19.4 million in 2011, primarily due to (i) an increase of RMB1.6 million in management fee from Yan Hua Hospital Group and (ii) management fee of RMB1.4 million from Mentougou Hospital, reflecting our first full year management of such hospital.

Our supply chain business segment revenue increased by 75.0% from RMB151.1 million in 2010 to RMB264.4 million in 2011. The increase was primarily driven by an increase in sales of the pharmaceuticals, medical devices and medical consumables sold to Yan Hua Hospital Group and Jian Gong Hospital as they expanded their operations, and to a lesser degree, further consolidation of procurement needs of our other IOT hospitals.

Cost of sales and services

Our cost of sales and services increased by 28.4% from RMB301.2 million in 2010 to RMB386.7 million in 2011, primarily due to an increase in costs for pharmaceuticals, medical devices and medical consumables, as we continued to expand our operations and network of hospitals and clinics.

Cost of sales and services for our general hospital services business increased from RMB228.1 million in 2010 to RMB259.2 million in 2011, mainly due to increased costs for pharmaceuticals, medical devices and medical consumables, and increased staff cost as we increased compensation of our medical professionals and staff at Jian Gong Hospital, all of which are a result of the expanded operations at Jian Gong Hospital.

Cost of sales and services for our hospital management services increased from RMB1.5 million in 2010 to RMB3.2 million in 2011, representing the amortization of the investments we made in our IOT hospitals. The increase was primarily because we started amortizing our investment in Mentougou Hospital and our additional investment in Yan Hua Hospital Group in 2011. For more details, see "— Critical Accounting Policies — Intangible Assets".

Cost of sales and services for our supply chain business increased from RMB133.3 million in 2010 to RMB222.7 million in 2011, mainly due to an increase in sale volume, as we further consolidate procurement needs of our in-network hospitals and clinics and our in-network hospitals and clinics expanded their operations.

Gross profit

As a result of the foregoing, our gross profit increased by 32.1% from RMB92.9 million in 2010 to RMB122.7 million in 2011. Our gross margin rose from 23.6% in 2010 to 24.1% in 2011, primarily reflecting the higher gross margin of the supply chain business resulting from greater volume discounts.

Our general hospital services gross profit increased from RMB60.2 million in 2010 to RMB64.8 million in 2011. The gross margin of general hospital services decreased slightly from 20.9% in 2010 to 20.0% in 2011, primarily due to increased staff costs and purchases of pharmaceuticals, medical devices and medical consumables of Jian Gong Hospital.

Our hospital management services gross profit increased from RMB14.8 million in 2010 to RMB16.2 million in 2011. The gross margin of hospital management services decreased from 90.7% in 2010 to 83.7% in 2011, primarily because we began amortizing our investment in Mentougou Hospital and our additional investment in Yan Hua Hospital Group in 2011.

Our supply chain business gross profit increased from RMB17.9 million in 2010 to RMB41.7 million in 2011. The segment gross margin of supply chain business increased from 11.8% in 2010 to 15.8% in 2011, primarily due to greater volume discounts we were able to secure from our suppliers.

Other income

Our other income increased by 207.4% from RMB2.7 million in 2010 to RMB8.3 million in 2011. The increase was mainly attributable to higher investment income from short-term financial products and, to a lesser extent, increased interest derived from receivables from IOT hospitals.

Other gains and losses

We incurred other net losses of RMB0.3 million and RMB0.01 million in 2010 and 2011, respectively, mainly relating to disposal of property, plant and equipment.

Selling and distribution expenses

Our selling and distribution expenses increased significantly from RMB0.8 million in 2010 to RMB3.4 million in 2011, primarily due to increased staff costs of our supply chain business segment and increased compensation to senior management.

Administrative expenses

Our administrative expenses increased by 14.0% from RMB25.7 million in 2010 to RMB29.3 million in 2011, mainly due to increased employee benefits and expenses, most of which are attributable to the general hospital services segment as we increased the compensation for our medical professionals and staff at Jian Gong hospital.

Finance costs

Our finance costs increased significantly from RMB3.0 million in 2010 to RMB18.9 million in 2011 due to an increase in interest expense on borrowings to finance the investments in Jing Mei Hospital Group, Yan Hua Hospital Group and Mentougou Hospital under the relevant IOT agreements.

Income tax expense

Our income tax expense increased by 26.3% from RMB16.0 million in 2010 to RMB20.2 million 2011, primarily because our profit before tax increased in 2012. Our effective tax rate was 24.6% and 25.7%, respectively, in 2010 and 2011.

Profit and total comprehensive income

As a result of the foregoing, our profit and total comprehensive income increased by 19.4% from RMB49.0 million in 2010 to RMB58.5 million in 2011.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of capital are to satisfy our working capital and capital expenditure, including upgrade of our existing hospital infrastructure and facilities and investments in IOT hospitals pursuant to the terms of relevant IOT agreements. We have historically financed our working capital and capital expenditure through a combination of (i) cash generated from operating activities, (ii) borrowings from trust companies and (iii) equity financings. In general, we finance our working capital and procurement of medical equipment by cash generated from operating activities, and finance the expansion of our hospital network, including investments in IOT hospitals and capital expenditure on the infrastructure of in-network hospitals, by borrowing from trust companies as well as equity financing.

- *Cash generated from operating activities.* We generated cash of RMB70.1 million, RMB62.4 million, RMB166.4 million and RMB72.1 million in 2010, 2011, 2012 and in the six months ended June 30, 2013. Our cash generated from operating activities during the Track Record Period was primarily affected by our changes in working capital and income taxes paid. For more details, see "— Cash Flows — Operating Activities".

- *Borrowings from trust companies.* We had RMB200.0 million outstanding loans from Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司, or "Jilin Trust") as of December 31, 2010 and 2011, respectively, which were repaid in October 2012. We then received a RMB300 million credit facility from CITIC Trust Co., Ltd. (中信信託有限責任公司, or "CITIC Trust"). As of December 31, 2012 and June 30, 2013, we had drawn down RMB200.0 million of this facility, which is secured by 53.51% of our equity interest in Jian Gong Hospital. The remaining RMB100 million undrawn credit facility, if fully drawn down, would have to be secured by additional 26.49% equity interest in Jian Gong Hospital held by us. The effective interest rate on our existing borrowings was 9.85%. For more details, see "— Indebtedness". As advised by our PRC legal adviser, a hospital's medical buildings are not permitted to be used as collateral for borrowings. Under current PRC laws, rules and regulations, this restriction only applies to a hospital's medical facilities, such as medical buildings, not to the pledge of equity interest in hospitals. As such, our PRC legal adviser confirms that the pledge of our 53.51% equity interest in Jian Gong Hospital, after registration with Beijing SAIC, does not violate any PRC laws, rules or regulations.

- *Equity financing.* In May 2010, we received a capital injection of RMB123.9 million from Beijing Phoenix's shareholders, including three existing shareholders and two new shareholders. For more details, see "History and Reorganization — Our History — History of Beijing Phoenix".

We expect these sources to continue to be our principal sources of capital. We also actively manage our capital structure and financing resources and intend to expand our debt financing resources, including obtaining short-term and long-term borrowings from sources other than trust companies, as needed and as appropriate. On July 3, 2013, we borrowed from Speed Key Limited, our Controlling Shareholder, in the amount of US$40.5 million (approximately RMB250 million) at an interest rate of 12.0% per annum, which will be repaid using a portion of the net proceeds from the Global Offering. For more details, see "— Recent Developments". Although we had no external financing plan as of the Latest Practicable Date, the borrowings we may incur will increase our indebtedness and interest expense. Our cost to obtain credit is also subject to the lending environment in China. The PBOC raised its benchmark one-year lending rate by an aggregate of 75 basis points to 6.56% in 2011 and lowered it by 56 basis points to 6.00% in 2012. We may not be able to obtain credit at a commercially reasonable cost in the event that we need to incur borrowings in the future. In the future, if we need to make significant investments in our in-network hospitals or clinics, or if we need significant capital to expand our hospital network either by acquisition or under the IOT model, we may decide to incur additional short-term or long-term borrowings or conduct equity fund raising, depending on our financial condition at the time, taking into account net proceeds from the Global Offering. For more details on the intended use of net proceeds from the Global Offering, see "Future Plans and Use of Proceeds".

CASH FLOWS

The following table sets forth a summary of our cash flow information for the periods indicated:

	For the year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in thousands of RMB)				
Net cash generated from operating activities	70,057	62,352	166,419	76,522	72,065
Net cash used in investing activities	(328,099)	(36,120)	(102,200)	(94,476)	(58,076)
Net cash generated from (used in) financing activities	298,011	230,081	(282,083)	(251,719)	1,598
Net increase (decrease) in cash and cash equivalents	39,969	256,313	(217,864)	(269,673)	15,587
Cash and cash equivalents at beginning of the year/period	34,706	74,675	330,988	330,988	113,124
Effect of foreign exchange rate changes	—	—	—	—	(465)
Net cash and cash equivalents at end of the year/period	74,675	330,988	113,124	61,315	128,246

Operating activities

In the six months ended June 30, 2013, we had operating cash inflows of RMB72.1 million, which was primarily attributable to a profit before tax of RMB70.2 million, adjusted for finance costs of RMB11.5 million in relation to our interest expense on borrowings, and other non-cash expenses including depreciation of property, plant and equipment of RMB10.5 million, amortization of intangible assets of RMB6.9 million in relation to our investments for management rights of IOT hospitals, amortization of lease prepayments of RMB1.7 million for land use right of Jian Gong Hospital, partially offset by income tax paid of RMB23.9 million, interest and investment income of RMB3.8 million and an adjustment for the increase in working capital, which was primarily due to an increase in trade receivables of RMB27.5 million resulting from our expanded operations, partially offset by a decrease in amount due from related party.

In 2012, we had operating cash inflows of RMB166.4 million, which was primarily attributable to a profit before tax of RMB147.3 million, adjusted for finance costs of RMB24.4 million in relation to our interest expense on borrowings, and other non-cash expenses including depreciation of property, plant and equipment of RMB20.3 million, amortization of intangible assets of RMB12.4 million in relation to our investments for management rights of IOT hospitals, amortization of lease prepayments of RMB3.5 million for land use right of Jian Gong Hospital, partially offset by income tax paid of RMB27.6 million, interest and investment income of RMB7.3 million and an adjustment for the increase in working capital. The increase in working capital was mainly attributable to an increase in trade receivables of RMB59.2 million and an increase in inventories of RMB11.9 million, partially offset by an increase in trade payables of RMB32.1 million, a decrease in amounts due from related parties of RMB18.2 million and an increase in other payables of RMB15.6 million. The increase in trade receivables and payables is primarily due to our expanded operations across our Group.

In 2011, we had operating cash inflows of RMB62.4 million, which was primarily attributable to a profit before tax of RMB78.7 million, adjusted for finance costs of RMB18.9 million in relation to our interest expense on borrowings, and other non-cash expenses including depreciation of property, plant and equipment of RMB14.7 million, partially offset by income tax paid of RMB20.9 million, interest and investment income of RMB6.7 million and an adjustment for the increase in working capital. The increase in working capital was mainly attributable to an increase in amounts due from related parties of RMB34.8 million, partially offset by an increase in trade payables of RMB12.5 million.

In 2010, we had operating cash inflows of RMB70.1 million, which was primarily attributable to a profit before tax of RMB65.0 million, finance costs of RMB3.0 million in relation to our interest expense on borrowings, adjusted for other non-cash expenses including depreciation of property, plant and equipment of RMB16.1 million, and amortization of intangible assets of RMB1.5 million in relation to our investments for management rights of IOT hospitals, partially offset by income tax paid of RMB11.0 million, interest and investment income of RMB1.3 million and an adjustment for the increase in working capital. The increase in working capital was mainly attributable to an increase in amounts due from related parties of RMB26.3 million, an increase in inventories of RMB11.4 million and an increase in trade receivables of RMB6.8 million, partially offset by an increase in trade payables of RMB43.0 million.

Investing activities

In the six months ended June 30, 2013, we used RMB58.1 million in investing activities, which was primarily attributable to (i) loans to Beijing Wantong of RMB92.0 million in relation to our Reorganization and (ii) the purchase of property, plant and equipment of RMB6.7 million, which was partially offset by the net proceeds from short-term investment of RMB39.1 million. Beijing Wantong repaid the loan in full to us in September 2013. For more details, see "History and Reorganization — Our History — History of Beijing Phoenix".

In 2012, we used RMB102.2 million in investing activities, which was primarily attributable to investments of RMB45.0 million in Yan Hua Hospital Group and Mentougou Traditional Chinese Medicine Hospital pursuant to the relevant IOT agreements, net purchase for short-term investment of RMB34.5 million and purchase of property, plant and equipment of RMB28.1 million, partially offset by the repayment of investments from hospital under our IOT agreement totaling RMB5.1 million.

In 2011, we used RMB36.1 million in investing activities, which was primarily attributable to payment for management right under IOT agreement of RMB165.8 million, IOT hospitals investments of RMB67.0 million and purchase of property, plant and equipment of RMB34.3 million, partially offset by the net purchase from short-term investment of RMB228.0 million.

In 2010, we used RMB328.1 million in investing activities, which was primarily attributable to the net purchase for short-term investment of RMB239.0 million, IOT hospitals investments of RMB65.0 million, and purchases of property, plant and equipment of RMB17.2 million and payment for management rights under IOT agreements of RMB7.0 million.

For more details, see "— Discussion of Certain Items from the Statement of Financial Position — Short-term Investment".

Financing activities

Net cash used in financing activities in the six months ended June 30, 2013 was RMB1.6 million, which was primarily due to purchase of Beijing Phoenix's equity interest by Star Target of RMB134.7 million, partially offset by capital injection of RMB150 million by Green Talent as a part of our Reorganization.

Net cash used in financing activities in 2012 was RMB282.1 million, which was primarily due to payment of RMB90.8 million for purchase of a non-controlling interest of 27.02% in Jian Gong Hospital, the repurchase of Beijing Phoenix's ordinary shares of RMB200.0 million, the repayment of the borrowing of RMB200.5 million and interest paid of RMB23.9 million, partially offset by the new borrowings of RMB233.6 million.

Net cash provided by financing activities in 2011 was RMB230.1 million, which was primarily due to the capital injection by our Shareholders in the amount of RMB252.5 million of which RMB200.0 million was raised in connection with a potential IOT agreement. This was partially offset by interest payment of RMB18.9 million and repayment to a related party of RMB3.6 million.

The capital injection by the shareholders of Beijing Phoenix and the subsequent repurchase of ordinary shares stated above are in connection with a potential IOT agreement. In December 2011, to obtain funding for a potential IOT hospital agreement in Beijing, Beijing Phoenix issued 25.0 million new shares to four Independent Third Parties for a total consideration of RMB200.0 million. In March 2012, Beijing Phoenix decided not to pursue this particular IOT hospital arrangement, and repurchased all of the 25.0 million shares held by these four Independent Third Parties at the original issuance price. For more details, see "History and Reorganization".

Net cash provided by financing activities in 2010 was RMB298.0 million, which was primarily due to the borrowings from Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司, or "Jilin Trust") of RMB200.0 million and the capital injection by the shareholders of Beijing Phoenix of RMB123.9 million, prepayment for capital injection by Beijing Zhongjin and Beijing Jinyuan Juntai Investment Co., Ltd. (北京金源君泰投資有限公司) of RMB7.5 million, partially offset by prepayment of RMB31.0 million for future purchase of non-controlling interest in Jian Gong Hospital of RMB31.0 million and interest paid of RMB2.4 million.

The borrowings with Jilin Trust were guaranteed by CITIC Trust. In 2012, the borrowings with Jilin Trust was repaid and replaced with a two-year loan with CITIC Trust. For more details, see "— Indebtedness".

DISCUSSION OF CERTAIN ITEMS FROM THE STATEMENT OF FINANCIAL POSITION

Lease prepayment for land use right

In May 2011, Beijing Construction Engineering Group contributed the land use right of the premise where Jian Gong Hospital operates to our Group as a non-cash capital injection. The value of the land use right was appraised and determined by an independent property valuer. We record such land use right as lease prepayment, which is amortized over the remaining lease term. The following table sets forth certain information of the lease prepayments in relation to the land use right as of the dates indicated:

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

Receivables from IOT hospitals

Our receivables from IOT hospitals were RMB25.1 million, RMB41.0 million, RMB55.1 million and RMB56.7 million as of December 31, 2010, 2011, 2012 and June 30, 2013, respectively. These balances represent the present value of future cash flows of repayable investments in connection with IOT agreements. These balances are measured at fair value upon initial recognition and subsequently carried at amortised cost using the effective interest method with effective interest rate at 11% for each reporting period. The following table sets forth certain information of our receivables from IOT hospitals as of the dates indicated:

	As of December 31,			As of June 30, 2013
	2010	2011	2012	
	(in thousands of RMB)			
Non-current portion	22,321	36,143	48,478	50,396
Current portion	2,826	4,812	6,620	6,353
Receivables from IOT hospitals	**25,147**	**40,955**	**55,098**	**56,749**

Intangible assets

Our intangible assets in relation to our investments for management rights of IOT hospitals are amortized on a straight-line basis over the relevant IOT contract period. We record the amortization of our intangible assets in cost of sales and services in the combined statement of profit or loss and other comprehensive income. The following table sets forth certain information of our intangible assets as of the dates indicated:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(in thousands of RMB)			
Cost				
At beginning of the indicated period	72,000	112,583	163,045	343,138
Addition	40,583	50,462	180,093	—
At the end of the indicated period	112,583	163,045	343,138	343,138
Less: Accumulated amortization	4,421	7,589	19,965	26,910
Net book value	**108,162**	**155,456**	**323,173**	**316,228**

Inventories

We record our inventories at cost or net realizable value, whichever is lower. The following table sets forth certain information of our inventories by categories as of the dates indicated:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(in thousands of RMB)			
Pharmaceuticals	19,606	19,884	30,936	24,577
Medical devices and medical consumables	2,661	3,316	4,137	5,672
Total	**22,267**	**23,200**	**35,073**	**30,249**

The following table sets forth our inventory turnover days during the Track Record Period.

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Inventory turnover days[1]	20	21	19	18

1 The inventory turnover days is equal to average inventory (inventory at the beginning of the year/period plus inventory at the end of the year/period divided by two) divided by cost of goods sold for the year/period and multiplied by 365 for each of the three years ended December 31, 2010, 2011 and 2012, and by 182.5 for the six months ended June 30, 2013.

Trade-nature receivables

The trade-nature receivables (including trade receivables and trade-nature receivables from a related party) primarily represent the trade-nature receivables from our in-network hospitals and clinics for services rendered or goods delivered. We generally allow an average credit period of 60 days for the general hospital services to the patients payable by public medical insurance programs, 60 days to 120 days for the sale of pharmaceuticals, medical devices and medical consumables to the IOT hospitals and clinics, and 90 days to 180 days for the hospital management services to the IOT hospitals and clinics, after issuing the invoice. In respect of revenue from general hospital services, patients treated by us at Jian Gong Hospital that are covered by the three national health insurance programs are only responsible for the co-payment amount when they are treated and the administration government agencies make the balance of the payment to us directly. We settle the balances with the administration agencies monthly. The following table sets forth the aging analysis of our trade-nature receivables, net of allowance for doubtful debts, as of the dates indicated:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(in thousands of RMB)			
Unbilled or within 60 days	20,100	20,219	64,907	92,654
61-180 days	—	3,626	18,103	17,864
Total trade receivables	20,100	23,845	83,010	110,518
Amounts due from a related party in trade nature	40,253	75,066	56,831	36,005
Total	**60,353**	**98,911**	**139,841**	**146,523**

The following table sets forth our trade-nature receivables turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Trade-nature receivables turnover days[1]	41	57	57	62

1 The trade receivables turnover days are equal to average trade receivables (trade receivables at the beginning of the year/period plus trade receivables at the end of the year/period divided by two) divided by total turnover for the year/period and multiplied by 365 for each of the three years ended December 31, 2010, 2011 and 2012, and by 182.5 for the six months ended June 30, 2013.

Trade-nature receivables from our largest trade customer, Yan Hua Hospital Group, accounted for 66.7%, 75.9%, 40.6% and 24.6% of our total trade-nature receivables in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. These receivables are primarily associated with management fees and sales of pharmaceuticals, medical devices and medical consumables to IOT hospitals and clinics. Trade-nature receivables from our largest customer in 2010, our largest three customers in 2011, our largest four customers in 2012 and the six months ended June 30, 2013, which include all of our IOT hospitals during the corresponding period, accounted for 66.7%, 79.6%, 80.7% and 70.0% of our total trade-nature receivables in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. Our other customers were individual patients. The trade-nature receivables disclosed above were neither past due nor impaired, and based on past experience we did not record impairment allowance for such receivables during those periods.

Short-term investments

During the Track Record Period, as part of our treasury management operations, we from time to time purchased short-term wealth management products ("理財產品") through reputable banks as an alternative to bank deposits. As of December 31, 2010, 2011 and 2012 and June 30, 2013, our Group's short-term investments mainly represent investments in financial products offered by banks for treasury management purposes. The short-term investments as of December 31, 2010, 2011 and 2012 and June 30, 2013 matured in February 2011, March 2012, January 2013 and July 2013, respectively.

Our maximum outstanding daily balances of these short-term investments were RMB246.6 million, RMB246.6 million, RMB126.5 million and RMB85.5 million in 2010, 2011, 2012 and the six months ended June 30, 2013. These investments had expected annual return ranging from 1.65% to 4.20% per annum. During the Track Record Period, we only invested in financial products issued or sold by publicly listed banks and we did not encounter any default. Substantially all of the financial products we purchased were quoted by these publicly listed banks as low risk. We have investment policies in place to control our exposure and potential risk in connection with our short-term investments. In particular, our investment policies permit us to only invest in financial products issued or sold by publicly listed banks. We also have certain internal procedural requirements for making these short-term investments. For example, our financial personnel conducts regular risk and benefit analyses on these financial products and prior approval from our Chief Financial Officer must be obtained prior to making each investment. During the Track Record Period, we strictly adhered to these procedures.

Prepayments and other receivables

Our prepayments and other receivables consist of current portion of long-term receivables from IOT hospitals, current portion of lease prepayment for land use right and prepaid value-added tax. The following table sets forth a breakdown of our prepayments and other receivables as of the dates indicated:

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

Our current portion of receivables from IOT hospitals increased in 2010, 2011 and 2012, primarily due to increased investments in our IOT hospitals. The current portion of receivables from IOT hospitals as of June 30, 2013 decreased because we did not make investments in IOT hospitals and clinics in the six months ended June 30, 2013.

Trade payables

Our trade payables primarily relate to the purchase of pharmaceuticals, medical devices and medical consumables from our suppliers, which are non-interest bearing and generally have a credit term of one to four months. The following table sets forth the aging analysis of our trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(in thousands of RMB)			
0 to 60 days	68,666	67,508	105,069	100,048
61 to 180 days	7,405	16,371	16,844	19,596
181 days to one year	933	2,832	278	2,500
One to two years	634	3,420	60	—
Total	**77,638**	**90,131**	**122,251**	**122,144**

The following table sets forth our trade payables turnover days during the Track Record Period.

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Trade payables turnover days[1]	68	79	68	67

1 The trade payables turnover days are equal to average trade payables (trade payables at the beginning of the year/period plus trade payables at the end of the year/period divided by two) divided by cost of goods sold for the year/period and multiplied by 365 for each of the three years ended December 31, 2010, 2011, 2012, and by 182.5 for the six months ended June 30, 2013 .

Other payables

Our other payables and accruals primarily consist of payables related to the acquisition of property, plant and equipment, deposits from suppliers and other parties, advances from patients treated at Jian Gong Hospital for hospitalization or surgeries, as well as accrued staff expenses and other PRC tax payable. The following table sets forth certain information of our other payables and accruals as of the dates indicated:

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

Our accrued staff cost represents primarily staff costs payable of Jian Gong Hospital. The increase during the Track Record Period was primarily as a result of increased employee benefits of Jian Gong Hospital.

Our deposits from suppliers represent the deposit from one of our suppliers, Hong Hui, to secure its performance under its supply agreement with us. For more details, see "Business — Our Business Model — Supply Chain Business".

We also recorded deposits for capital injection from new investors in the amount of RMB7.5 million as of December 31, 2010, representing deposits from our new investor for their proposed investment in us, which was returned to them upon our receiving the full investment amount and the completion of the transaction in 2011.

Our payable for acquisition of the non-controlling interest represents the payable in connection with our purchase of a non-controlling interest of 27.02% in Jian Gong Hospital.

Our interest payables remained stable during the Track Record Period.

Obligation under finance leases

We commenced leasing certain medical equipment under finance lease in 2012. The average lease term is six years. Interest rates underlying all obligations under finance leases were fixed at respective contract dates ranging from 10.6% to 11.3% per annum.

Net current assets/liabilities

The following table sets forth the breakdown of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June 30, 2013	As of September 30, 2013
	2010	2011	2012		
					(unaudited)
	(in thousands of RMB)				
Current assets					
Short-term investment	246,600	23,000	60,450	22,000	131,200
Bank balances and cash	74,675	330,988	113,124	128,246	89,696
Trade receivables	20,100	23,845	83,010	110,518	84,490
Prepayments and other receivables	5,926	13,699	16,723	16,531	21,619
Amounts due from related parties	40,253	75,066	56,831	228,005	37,541
Inventories	22,267	23,200	35,073	30,249	35,640
Total	409,821	489,798	365,211	535,549	400,186
Current liabilities					
Trade payables	77,638	90,131	122,251	122,144	123,859
Other payables	37,580	28,510	53,773	87,542	63,443
Amount due to related parties	19,329	—	—	333,193	256,268
Tax payables	10,288	9,645	19,465	14,999	13,521
Obligations under finance lease	—	—	1,077	1,529	—
Borrowings	—	200,000	5,803	6,274	—
Total	144,835	328,286	202,369	565,681	457,091
Net current assets/ (liabilities)	**264,986**	**161,512**	**162,842**	**(30,132)**	**(56,905)**

Our net current liabilities increased from RMB30.1 million as of June 30, 2013 to RMB56.9 million as of September 30, 2013 primarily due to a decrease in current assets, which was partially offset by a decrease in our current liabilities. The decrease in our current assets reflected primarily the settlement of our transactions with Beijing Wantong, Ms. Liu Xing, Silvapower Investments and Vertex Fund as disclosed below. The decrease in our current liabilities reflected (i) the full settlement of our transactions with Beijing Wantong and Ms. Liu Xing and (ii) borrowings of US$40.5 million (approximately RMB250 million) from Speed Key Limited, our Controlling Shareholder, on July 3, 2013, which will be repaid using a portion of the net proceeds from the Global Offering. Our borrowings from Speed Key Limited were classified as current liabilities because we need to repay it on the earlier of the Listing and the first anniversary of the borrowings. For more details on our borrowings from Speed Key Limited, see "— Recent Developments".

We recorded net current liabilities of RMB30.1 million as of June 30, 2013 as compared to net current assets of RMB162.8 million as of December 31, 2012, which was primarily due to a significant increase in our current liabilities, reflecting primarily an increase of RMB333.2 million in amounts due to related parties, partially offset by an increase of RMB171.2 million in amounts due from a related party. The amounts due to related parties of RMB333.2 million as of June 30, 2013 represented amounts due to Beijing Wantong and Ms. Liu Xing in connection with our purchase of their respective equity interest in Beijing Phoenix during our Reorganization, which were fully settled in July 2013. Our amounts due from related parties as of June 30, 2013 included (i) receivables of RMB100.0 million from our two Shareholders, Silvapower Investments and Vertex Fund, in connection with their subscription of our Shares during the Reorganization, which were fully settled in July 2013, (ii) amounts due from Beijing Wantong in connection with our RMB92.0 million loan to Beijing Wantong, which was fully repaid in September 2013, and (iii) RMB36.0 million due from Yan Hua Hospital Group, including both amounts due in connection with our sales of pharmaceuticals, medical devices and medical consumables to Yan Hua Hospital Group and unpaid management fees. For more details on our Reorganization, see "History and Reorganization — The Reorganization". For more details on the related party transactions, see "— Related Party Transactions".

Our net current assets increased from RMB161.5 million as of December 31, 2011 to RMB162.8 million as of December 31, 2012, which was primarily due to a significant decrease in our current assets, including a decrease in cash and cash equivalents resulting from our share repurchase payment of RMB200.0 million in 2012, primarily offset by a decrease in our current liabilities in 2012 as the RMB200.0 million short-term borrowings were refinanced by long-term borrowings.

Our net current assets decreased from RMB265.0 million as of December 31, 2010 to RMB161.5 million as of December 31, 2011. This decrease was primarily due to an increase in our short-term borrowings of RMB200.0 million due in 2011, primarily because this RMB200.0 million loan was due within one year and became current liabilities.

Related Party Transactions

During the Track Record Period, our related party transactions of our Group primarily consisted of transactions with Yan Hua Hospital Group, Yan Hua Phoenix, Beijing Wantong and another shareholder of Beijing Phoenix. We generated hospital management services segment revenue and supply chain business revenue from the Yan Hua Hospital Group during the Track Record Period. For more details, see "Business — Our Hospital Network — Yan Hua Hospital Group". We expect to continue transactions with Yan Hua Hospital Group. For more details on our continuing related party transactions after the Listing, see "Connected Transaction".

Our transaction with Beijing Wantong was in relation to the RMB92.0 million in connection with our Reorganization. Such loan was approved by Beijing Phoenix's directors and shareholders in order to consolidate shareholding and facilitate the Reorganization. We are of the view that this transaction would not distort our results of operations since it was repaid in full in September 2013.

Our Directors are of the opinion that the related party transactions during the Track Record Period, other than the RMB92.0 million loan to Beijing Wantong, were conducted on an arm's length basis. Our Directors are also of the view that no related party transaction would distort our results of operations. For more details on our loan to Beijing Wantong, see "History and Reorganization — Our History — History of Beijing Phoenix".

Amounts Due from Related Parties

As of December 31, 2010, 2011 and 2012 and June 30, 2013, amounts due from a related party, Yan Hua Hospital Group, were RMB40.3 million, RMB75.1 million, RMB56.8 million and RMB36.0 million, respectively. The trade-nature balance represented primarily receivables from Yan Hua Phoenix in connection with our sales of pharmaceuticals, medical devices and medical consumables and unpaid management fees.

The amount due from Yan Hua Hospital Group disclosed above included amount that are past due as of December 31, 2010, 2011 and 2012 and June 30, 2013 for which we have not recognized an allowance for doubtful debt because there has not been a significant change in credit quality and amounts were fully settled as of December 31, 2010, 2011 and 2012 and June 30, 2013. The following table sets forth an aged analysis of amounts due from Yan Hua Hospital Group which are past due but not impaired as of the dates indicated:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(in thousands of RMB)			
61 to 180 days	3,632	11,223	8,370	8,021
181 days to one year	—	74	—	5,511
one to two years	—	12,502	—	—
Total	3,632	23,799	8,370	13,532

As of June 30, 2013, our amounts due from related parties also included RMB92.0 million due from Beijing Wantong, in connection with our interest-free loans to Beijing Wantong during the six months ended June 30, 2013. The balance was fully settled in September 2013. We do not expect to engage similar transactions going forward.

Amounts Due to Related Parties

As of December 31, 2010, we had amounts due to related parties, Yan Hua Hospital Group and Yan Hua Phoenix, of RMB19.3 million, primarily including RMB15.8 million as the remaining consideration for the management rights of Yan Hua Hospital Group which was settled in 2011.

As of June 30, 2013, we had amounts due to Beijing Wantong and Ms. Liu Xing of RMB203.3 million and RMB129.9 million, respectively, in connection with our purchase of their respective equity interest in Beijing Phoenix as part of our Reorganization. The balances were fully settled in July 2013. For more details on our Reorganization, see "History and Reorganization — The Reorganization".

Guarantee

As of June 30, 2013, we guaranteed the obligations of Yan Hua Hospital Group under a finance lease for a medical equipment in the amount of RMB21.2 million with China Huarong Financial Leasing Co., Ltd. The guarantee expired when the finance lease terminated in July 2013.

CAPITAL EXPENDITURES

Our Group's capital expenditures principally consisted of expenditures on property, plant and equipment and investments in our in-network hospitals and clinics. The following table sets forth our capital expenditures for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2010	**2011**	**2012**	**2012**	**2013**
				(unaudited)	
	(in thousands of RMB)				
Capital expenditure in respect of acquisition of property, plant and equipment	17,157	34,347	28,115	14,793	6,664
Repayable investment amounts to IOT hospitals under IOT agreements[1]	65,000	67,000	45,000	26,015	—
Purchases of management right[2]	7,024	165,768	—	—	—
Total	**89,181**	**267,115**	**73,115**	**40,808**	**6,664**

1 Represent our investments in Mentougou Hospital and Mentougou Traditional Chinese Medicine Hospital and a portion of our investments in Yan Hua Hospital Group.

2 Represent our investments in Jing Mei Hospital Group and a portion of our investments in Yan Hua Hospital Group.

Our Group expects to continue to make capital expenditures in 2013, primarily including investments in Yan Hua Hospital Group pursuant to Yan Hua IOT Agreement and purchases of equipment for Jian Gong Hospital. We expect our capital expenditure in 2014 and 2015 to mainly include (i) investments to expand our hospital network, through both IOT agreements and direct equity investments in other hospitals with a strategic focus in Beijing, (ii) capital investments to upgrade our existing IOT hospitals and clinics infrastructure and facilities and to improve our information technology system, (iii) capital investments to reconstruct certain facilities of, and to purchase large medical equipment for, Jian Gong Hospital, and (iv) investments to establish an advanced clinical testing and laboratory center at our Group level. The table below sets forth our current capital expenditure plans for the periods indicated:

	Year ending December 31,		
	2014	2015	Description of Capital Expenditure
	(In millions of RMB)		
Potential target hospitals	150	150	Expanding hospital network through both PPP and acquisition with a strategic focus in Beijing. Although we did not have any specific target for acquisition or PPP opportunity as of the Latest Practicable Date, we engage in active discussions with potential targets or partners from time to time.
Existing IOT hospitals	63	—	Upgrading our existing IOT hospitals and clinics infrastructure and facilities and improving our information technology system
Jian Gong Hospital	55	56	We plan to allocate 80% of the capital expenditure to reconstruct certain facilities of Jian Gong Hospital and 20% to purchase medical equipment. We expect to expand the capacity of Jian Gong Hospital by approximately 100 hospital beds and purchase additional advanced equipment. We intend to hire approximately 30 additional nurses. For more details on the reconstruction plan, including permit requirements and application status, see "Business — Our Properties".
Group level	80	—	Establishing a premier clinical testing and laboratory center at the Group level

For more details relating to each category of capital expenditures above, the source of funding is a combination of cash generated from operations, borrowings and a portion of net proceeds from the Global Offering, see "Future Plans and Use of Proceeds".

CONTRACTUAL OBLIGATIONS

The following table sets forth our contractual obligations as of June 30, 2013:

	Payment Due by Period		
	As of June 30, 2013	Within 1 year	In more than 1 year but not more than 3 years
	(in thousands of RMB)		
Operating lease obligations[1]	5,479	2,020	3,459
Obligations under IOT agreements[2]	73,000[3]	—	73,000
Total	**78,479**	**2,020**	**76,459**

1 Represent our rentals payable for the office premises leased. These leases were negotiated for lease terms of one to four years at fixed monthly rental.

2 Represent our outstanding investment commitment under the Yan Hua IOT Agreement.

3 Of which RMB10.0 million was paid in July 2013.

The following table sets forth our finance lease obligations as of June 30, 2013:

	Payment Due by Period				
	As of June 30, 2013	Within 1 year	In more than 1 year but not more than 2 years	In more than 2 years but not more than 5 years	In more than 5 years
	(in thousands of RMB)				
Finance lease obligations[1]	10,833	1,636	1,845	6,792	560

1 Represent our obligations under finance lease for certain medical equipment.

CONTINGENT LIABILITIES

Our Directors are of the view that we do not have any significant contingent liabilities as of the Latest Practicable Date.

INDEBTEDNESS

Our indebtedness during the Track Record Period principally consisted of borrowings from trust companies. The following table sets forth our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(in thousands of RMB)			
Repayable within one year	—	200,000	5,803	6,274
Repayable more than one year, but not exceeding two years	200,000	—	206,173	206,604
Repayable more than two years, but not exceeding five years	—	—	19,770	18,887
Repayable more than five years	—	—	1,328	—
Total	**200,000**	**200,000**	**233,074**	**231,765**

In 2010 and 2011, our borrowings with Jilin Trust were guaranteed by CITIC Trust, with the guarantee fee ranging from 3.5% to 6.0% of the principal amount per annum. We repaid such loan and replaced it with a new two-year loan from CITIC Trust in October 2012. Pursuant to this loan agreement, we are entitled to borrow up to RMB300.0 million, of which RMB200 million was drawn-down as of December 31, 2012 and June 30, 2013. The RMB200 million outstanding loan is secured by our 53.51% of equity interest in Jian Gong Hospital. The remaining RMB100 million undrawn banking facilities, if fully drawn-down, would have to be secured by additional 26.49% equity interest in Jian Gong Hospital held by us. Under this loan agreement, prior consent from CITIC Trust is required in case there is a major share transfer in Beijing Phoenix or assignment of material assets by Beijing Phoenix. In the event that we are unable to repay the loans, CITIC Trust is entitled to enforce its security interests including disposing our pledged equity interest in Jian Gong Hospital. This loan agreement also contains customary restrictive covenants. For example, we are obligated to notify CITIC Trust 30 days in advance and obtain its approval before we lease or divest significant assets, conduct mergers and acquisitions, transfer our material assets or conduct any other transactions that may potentially affect CITIC's rights under this loan agreement. The effective interest rate for our borrowings was 5.8%, 5.8%, 9.85% and 9.85% in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively.

Our Directors confirm that we had no material defaults in payment of trade and non-trade payables and bank borrowings and had not breached any finance covenants during the Track Record Period.

For more details on the indebtedness incurred after June 30, 2013, see "— Recent Developments". As of September 30, 2013, we had (i) outstanding borrowing from CITIC Trust of RMB200.0 million, which was secured by our 53.51% of equity interest in Jian Gong Hospital, and (ii) amount due to Speed Key Limited, our Controlling Shareholders of US$41.7 million (equivalent to RMB256.3 million), which will be repaid using a portion of the net proceeds from the Global Offering. Except as aforesaid and apart from intra-group liabilities, we did not have, as of September 30, 2013, any other outstanding loan issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

DIRECTORS' OPINION ON THE SUFFICIENCY OF OUR WORKING CAPITAL

After due and careful enquiry and taking into account the financial resources available to us and our subsidiaries, including internally generated funds, available banking facilities and the estimated net proceeds from the Global Offering, our Directors are of the opinion that the working capital available to our Group is sufficient for our present requirements for the next 12 months commencing from the date of this prospectus.

We plan to use a portion of the net proceeds from the Global Offering to repay the entire outstanding loan from our major shareholder, Speed Key Limited, in connection with the exchangeable notes issued by Speed Key Limited to Noteholders. Assuming the Global Offering is not completed prior to the maturity date of the exchangeable notes, our Directors are of the opinion that our internally generated funds, together with available credit facilities, is sufficient for our working capital for the next 12 months, including the repayment of the exchangeable notes upon the maturity date. For more details on the exchangeable notes, see "History and Reorganization — The Reorganization — Exchangeable Notes Issued to Silvapower Investments, Vertex Fund and Green Talent".

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios during the Track Record Period:

	Formulae	As of and for the Year ended December 31,			As of and for the six months ended June 30,
		2010	2011	2012	2013
Gearing ratio.	total debt/total assets × 100%	30.1%	17.6%	23.4%	20.2%
Current ratio	current assets/current liabilities	2.8	1.5	1.8	1.0
Quick ratio.	(current assets — inventories)/ current liabilities	2.7	1.4	1.6	0.9
Return on equity . . .	net profit/average shareholders' equity × 100%	22.2%	10.6%	16.1%	N/A
Return on assets. . . .	net profit/average total assets × 100%	10.8%	6.5%	10.3%	N/A

Gearing Ratio

Gearing ratio represents total debt as a percentage of total assets. The total debt is calculated as total borrowings and obligations under finance leases shown on our combined balance sheet. Our gearing ratio was 30.1%, 17.6%, 23.4% and 20.2% as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The decrease in our gearing ratio from 30.1% as of December 31, 2010 to 17.6% as of December 31, 2011 was primarily due to the significant increase in our total assets resulting primarily from (i) our increased investments in IOT hospitals and clinics, reflected in the form of intangible assets and deposits paid for management rights under IOT agreements, and (ii) lease prepayments for land use rights in connection with the land use right of the premise where Jian Gong Hospital operates and contributed by Beijing Construction Engineering Group, Jian Gong Hospital's minority shareholder. The increase in our gearing ratio from 17.6% as of December 31, 2011 to 23.4%

as of December 31, 2012 was mainly due to the decrease of our total assets, resulting primarily from decrease in our bank balances and cash as of December 31, 2012. The decrease in our gearing ratio from 23.4% as of December 31, 2012 to 20.2% as of June 30, 2013 was mainly due to the increase in our total assets, which was attributable to the increase in our current assets resulting primarily from (i) increased prepayments and other receivables, which represented primarily receivables from our two Shareholders in connection with their subscription of our Shares during the Reorganization, and (ii) increased amounts due from related parties, which represented primarily our RMB92.0 million loan to Beijing Wantong.

Current Ratio and Quick Ratio

Our current ratio, calculated by dividing current assets by current liabilities, was 2.8, 1.5, 1.8 and 1.0 as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. Our quick ratio, calculated by dividing current assets after subtraction of inventories by current liabilities, was 2.7, 1.4, 1.6 and 0.9 as of December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The decreases in our current ratio and quick ratio as of December 31, 2011 from December 31, 2010 were primarily due to the increase of our current liabilities primarily as a result of a RMB200.0 million long-term borrowing becoming due within one year and accounted for current liabilities. The increases in our current ratio and quick ratio as of December 31, 2012 from December 31, 2011 were mainly due to the decreases in our current liabilities after we repaid our loan with Jilin Trust and replaced it with borrowings from CITIC Trust in October 2012 that has a term of more than one year. See "— Indebtedness." The decreases in our current ratio and quick ratio as of June 30, 2013 from December 31, 2012 were mainly due to the increases in our current liabilities resulting from increased amounts due to related parties as a result of the Reorganization, which outpaced the growth in our current assets.

Return on Equity

Return on equity represents net profit as a percentage of the arithmetic mean of opening and closing balances of total equity for relevant period. Our return on equity was 22.2%, 10.6% and 16.1% in 2010, 2011 and 2012, respectively. The decrease in our return on equity in 2011 from 2010 was due to slower net profit growth compared with the growth of shareholders' equity during the same period. The increase of our return on equity in 2012 from 2011 was primarily due to our net profit growth during the period and a decrease in our shareholders' equity as a result of the share repurchase in 2012.

Return on Assets

Return on assets represents net profit as a percentage of the arithmetic mean of opening and closing balances of total assets for relevant period. Our return on assets was 10.8%, 6.5% and 10.3% in 2010, 2011 and 2012, respectively. The decrease in our return on assets in 2011 from 2010 was due to an increase in our total assets relating to our investments in Jing Mei Hospital Group and lease prepayments for land use right in Jian Gong Hospital in 2011. The increase of our return on assets in 2012 from 2011 was primarily due to our significant net profit growth during the period and a decrease in our total assets as a result of the share repurchase in 2012.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, our Group had not entered into any off-balance sheet transactions.

QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT FINANCIAL RISK

We are exposed to various types of financial risks in the ordinary course of our business, including market risk (consisting of interest rates and foreign exchange rates), credit risk and liquidity risk. We did not use derivative financial instruments to hedge our risk exposures on changes in foreign currency exchange rates and interest rates during the Track Record Period.

Interest Rate Risk

Our Group is exposed to fair value interest rate risk in relation to short-term investments, fixed-rate borrowings and obligations under finance leases, and cash flow interest risk in relation to variable-rate bank balance, which carry prevailing market interest rates. Our Group currently does not have a specific policy to manage our interest rate risk and have not entered into interest rate swaps to hedge its exposure, but will closely monitor our interest rate risk exposure in the future. No sensitivity analysis on interest rate risk on bank balance is presented as we consider the sensitivity on interest rate risk on bank balances is insignificant.

Foreign Exchange Risk

Foreign exchange rate risk refers to the risk that movement in foreign currency exchange rates will affect our financial results and cash flows. Our functional currency is RMB in which most of our transactions are denominated. During the Track Record Period, we only undertook very limited finance and operating transactions in foreign currencies. As a result, we do not believe we are exposed to significant foreign exchange rate risk. We do not use any derivative contracts to hedge against our expose to currency risk and manage this risk by closely monitoring the movement of the foreign currency rates. In addition, as the proceeds of the Global Offering will be in Hong Kong Dollars, any appreciation of the Renminbi against the Hong Kong Dollar will reduce the amount of proceeds we receive in terms of Renminbi. On the other hand, a depreciation of Renminbi would adversely affect the value of any dividends we pay to our Shareholders subsequent to the Global Offering.

The following table sets forth our Group's sensitivity to a 5% increase or decrease in the RMB against the HK dollar and the US dollar. The sensitivity rate used when reporting foreign currency risk internally to our key management personnel is 5%, which represents our 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 or period end for a 5% change in foreign currency rates. A positive number in the table 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				US dollar			
	As of December 31,			As of June 30,	As of December 31,			As at June 30,
	2010	2011	2012	2013	2010	2011	2012	2013
	(RMB in thousands)							
Gain (loss)	—	—	—	(39)	—	—	—	556

Credit risk

Our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties is represented by the carrying amounts of the respective recognized financial assets as stated in our consolidated statements of financial position.

We are exposed to credit risk relating to our funds deposited with several banks in China. However, the credit risk on cash and bank balances and restricted bank balances is limited because the majority of the counterparties are state-owned banks.

We are also exposed to credit risk in respect of amounts due from a related party. Under such circumstances, the management considers that our credit risk is insignificant.

In addition, we are exposed to credit risk in respect of trade-nature receivables due from our customers some of which are related parties. See "— Discussion of Certain Items from the Statement of Financial Position — Trade-nature Receivables".

Limitations of Sensitivity Analysis

While we use sensitivity analysis to provide us with an estimation of market risk exposures, we recognize that there are certain limitations in its use. Our sensitivity analysis is an estimate based on a fixed point in the past. Nearly all of our assets and liabilities are subject to market risk from fluctuating interest rates and foreign exchange rates. These fluctuations cannot be foreseen and could occur very suddenly. The quantitative risk measures provided by the sensitivity analysis are a snapshot, describing the potential losses to investments under a particular set of assumptions and parameters, which, although reasonably possible, may differ considerably from actual losses experienced in the future.

PROPERTY VALUATION

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has valued the property interests of the Group, comprising our operations, as of September 30, 2013. Texts of its letters, summary of valuation and valuation certificates issued are included in Appendix III to this prospectus.

DIVIDENDS AND DIVIDEND POLICY

The amount of dividends that we paid or declared during the Track Record Period was nil. We have no plan to pay or declare any dividends prior to the Listing.

After completion of the Global Offering, our Shareholders will be entitled to receive dividends that we declare. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant.

Future dividend payments will also depend upon the availability of dividends received from our operating subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require our subsidiaries in the PRC to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our operating subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities, convertible bond instrument or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As of June 30, 2013, the Company had no distributable reserves available for distribution to our Shareholders.

LISTING EXPENSES

We have incurred legal, professional and other fees with respect to the Listing. In accordance with the relevant accounting standards, listing related fees that are directly attributable to issuance of new Shares are recorded as prepaid expenses, which will be deducted from equity upon Listing. The remaining listing related fees are charged to statements of profit or loss and other comprehensive income. It is expected that approximately RMB36.0 million of listing related expenses will be charged to our combined statements of profit or loss and other comprehensive income for the year ending December 31, 2013. Listing expenses incurred but not reflected in the Track Record Period totaled approximately RMB34.2 million.

RECONCILIATION OF APPRAISED PROPERTY VALUES WITH NET BOOK VALUES

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer and consultant, has valued our property interests as of September 30, 2013. The full text of the letter, valuation certificate with regard to such property interest is included in Appendix III to this prospectus.

The table below sets forth the reconciliation between the net book value of our property interest as of June 30, 2013 and the valuation of such property interest as of September 30, 2013 in millions of RMB:

Net book value of property interests as of June 30, 2013	
Buildings and leasehold improvement in property, plant and equipment	58.4
Lease prepayments for land use right	163.1
	221.5
Movement for the three months ended September 30, 2013	
Add: Net additions during the period (unaudited)	5.0
Less: Depreciation and amortization during the period (unaudited)	(2.9)
Net book value as of September 30, 2013	223.6
Less: Net book value of certain properties as of September 30, 2013 (unaudited)[(1)]	(24.3)
Net book value less certain properties as of September 30, 2013	199.3
Attributable to the Company[(2)]	159.4
Capital value of property interests as of September 30, 2013, as set forth in the property valuation report in Appendix III to this prospectus[(3)]	195.7
Valuation surplus	36.3

(1) As of September 30, 2013, we had not yet obtained value titles or rights to use certain properties. The aggregate net book value of such property interest was RMB24.3 million. Our property valuer has valued such titles of no commercial value as they are not freely transferable.

(2) Calculated based on net book value less certain properties as of September 30, 2013 multiplied by 80.00%, being the percentage of our equity interest in Jian Gong Hospital, the subsidiary that holds all our property interests.

(3) Capital value of property interests attributable to us as of September 30, 2013, as set forth in the property valuation report in Appendix III to this prospectus, was RMB195.7 million.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to our equity holders, which has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules, is set forth below to illustrate the effect of the Global Offering on our combined net tangible assets of the Group attributable to our equity holders as of June 30, 2013 as if it had taken place on June 30, 2013.

This unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to our equity holders has been prepared for illustrative purposes only and, due to its hypothetical nature, may not give a true picture of the combined net tangible assets (liabilities) of the Group attributable to our equity holders had the Global Offering been completed as of June 30, 2013 or at any future date. It is prepared based on the audited combined net tangible liability of the Group attributable to our equity holders as of June 30, 2013 as set forth in the Accountants' Report contained in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible liabilities of the Group attributable to our equity holders as of June 30, 2013(1)	**Estimated net proceeds from the Global Offering(2)**	**Unaudited pro forma adjusted combined net tangible assets of the Group attributable to our equity holders**	**Unaudited pro forma adjusted combined net tangible assets of the Group attributable to our equity holders per Share(3)**
	(in thousands of RMB, except for per Share data)			
Based on an Offer Price of HK$5.88 per Share	(31,102)	857,471	826,369	1.03
Based on an Offer Price of HK$7.38 per Share	(31,102)	1,086,514	1,055,412	1.31

(1) The audited combined net tangible liabilities of the Group attributable to our equity holders as of June 30, 2013 is extracted from the Accountants' Report set forth in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to our equity holders as of June 30, 2013 of approximately RMB285.1 million less the intangible assets of the Group as of June 30, 2013 of approximately RMB316.2 million.

(2) The estimated net proceeds from the Global Offering are based on 200,907,000 Offer Shares of the indicative Offer Price of HK$5.88 (equivalent to RMB4.66) and HK$7.38 (equivalent to RMB5.84) per Offer Share, respectively after deduction of total estimated underwriting commissions and fees and other related expenses (excluding approximately RMB1.8 million listing expenses which has been accounted for up to June 30, 2013) payable by us, and does not take into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or upon the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors.

For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in Hong Kong dollars ("HK$") has been converted in Renminbi ("RMB") at the rate of RMB1.00 to HK$1.2630, as set out in "Information about This Prospectus and the Global Offering — Currency Translations". No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or at all.

(3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to our equity holders as of June 30, 2013 per Share is arrived at after the adjustments referred to in note 2 and on the assumption that 803,627,000 Shares (being the number of shares in issue as of date of this prospectus and those shares to be issued pursuant to the Global Offering) were in issue upon completion of the Global Offering. It does not take into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or upon the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by us under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors.

(4) No adjustment has been made to the audited combined net tangible liabilities of the Group attributable to our equity holders as of June 30, 2013 to reflect any trading result or other transaction of the Group entered into subsequent to June 30, 2013.

(5) Based on the property valuation reports as of September 30, 2013 as set forth in "Appendix III — Property Valuation Report", the property interests of the Group attributable to the equity holders of the Company had a revaluation surplus up to September 30, 2013 of approximately RMB36.3 million for more details, see "Financial Information — Reconciliation of Appraised Property Value with Net book Value", representing the excess of the market value of these properties over their book value to the extent attributable to equity holders of the Company. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the equity holders of the Company has not taken into account of the revaluation surplus of properties held for own use properties, nor will the Group incorporate the revaluation surplus in its future financial statements. If the revaluation surplus up to September 30, 2013 is to be incorporated in the Group's future financial statements, additional annual depreciation and amortization of approximately RMB2.3 million would be charged as expense in the combined statements of profit or loss and other comprehensive income.

For more details, see "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there have been no circumstances that would give rise to the disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules had the Shares listed on the Stock Exchange.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2013 and there is no event since June 30, 2013 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

RECENT DEVELOPMENTS

The following also sets forth certain data of our unaudited consolidated statements of profit or loss and other comprehensive income in the nine months ended September 30, 2013:

- our revenue increased by 17.1% from RMB520.1 million in the nine months ended September 30, 2012 to RMB609.0 million in the nine months ended September 30, 2013, reflecting primarily increases in revenue generated by our supply chain and general hospital services businesses; and

- our gross profit increased by 5.8% from RMB125.0 million in the nine months ended September 30, 2012 to RMB132.2 million in the nine months ended September 30, 2013.

We continue to be affected by the trends and key factors that affected our results of operations in the six months ended June 30, 2013 including, in particular, our higher cost and expenses relating to employees. For more details, see "— Factors Affecting Our Financial Condition and Results of Operations — Cost and Expenses Relating to Employees".

On July 3, 2013, we borrowed from Speed Key Limited, our Controlling Shareholder, in the amount of US$40.5 million (approximately RMB250 million) at an interest rate of 12.0% per annum, which will be repaid using a portion of the net proceeds from the Global Offering. Pursuant to the terms of this loan, we used all the net proceeds to acquire equity interest in Beijing Phoenix as part of our Reorganization. For more details, see "History and Reorganization — The Reorganization". We have incurred interest expenses of approximately RMB7.5 million in the three months ended September 30, 2013 on this loan, and will continue to incur interest expenses in the amount of approximately US$0.4 million (equivalent to RMB2.5 million) per month on this loan until it is repaid. We plan to repay such loan and the accrued interest upon the Listing using net proceeds from the Global Offering. For more details, see "Future Plans and Use of Proceeds".

Since June 30, 2013, we have also incurred non-recurring expenses of professional fees in relation to the Global Offering. For more details regarding our expenses relating to the Global Offering, see "— Listing Expenses".

We have extracted these data from our unaudited consolidated statements of profit or loss and other comprehensive income, which were prepared on the same basis as our audited combined financial statements. These unaudited consolidated statements of profit or loss and other comprehensive income reflect all adjustments, consisting only of normal and recurring adjustments, which we consider necessary for a fair statement of our results of operations for the period presented. We cannot assure you that our financial results in the nine months ended September 30, 2013 will be indicative of our financial results in the full year ending December 31, 2013 or for future periods.

In September 2013, we approved a sub-division in our share capital, whereby each ordinary share of nominal value HK$0.001 was sub-divided into four ordinary shares of nominal value of HK$0.00025 each. For more details, see "Appendix V. Statutory and general information — A. Further Information About Our Group — 2. Changes in Share Capital".

FUTURE PLANS

Our objective is to become the leading hospital group in Asia, offering patients high quality and cost-effective healthcare services and facilitating the development of China's healthcare service industry. We intend to achieve this through our business strategies, details of which are set out in "Business — Our Strategies" of this prospectus.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$1,228 million (after deducting the underwriting fees and expenses payable by us in the Global Offering), assuming the Over-allotment Option is not exercised and an Offer Price of HK$6.63 per Share, being the mid-point of the offer price range stated in this prospectus. We intend to use these net proceeds for the following purposes:

Item	Use of proceeds	% of the net proceeds	In millions of HK$	Description
1	Finance the expansion of our hospital network with a strategic focus in Beijing, through both PPP and acquisition . .	36%	444	We plan to target Grade II and Grade III hospitals in Beijing that are Medical Insurance Designated Medical Institutions and with more than 300 beds in operation. As of the Latest Practicable Date, we did not have any specific target for acquisition or PPP opportunity. For more details, see "Financial Information — Capital Expenditures" and "Business — Our Strategies — Strengthen Market Leadership by Continuing to Expand Our Network of Hospitals and Clinics".
2	Repay the entire outstanding loan from our major shareholder, Speed Key Limited, at an interest rate of 12% per annum, in connection with the exchangeable notes issued by Speed Key Limited to Noteholders . . .	28%	340	The exchangeable notes were used to finance the Reorganization. They mature upon the earlier of the Listing and the first anniversary of the issuance of the exchangeable notes. At maturity, all outstanding principal and accrued interest under the exchangeable notes are required to be repaid to the Noteholders. For more details, see "History and Reorganization — The Reorganization — Exchangeable Notes Issued to Silvapower Investments, Vertex Fund and Green Talent".

Item	Use of proceeds	% of the net proceeds	In millions of HK$	Description
3	Capital expenditure to reconstruct certain facilities of, and to purchase medical equipment for, Jian Gong Hospital by 2015	11%	140	We plan to allocate 80% of this capital expenditure to the reconstruction plan and 20% to the purchase of medical equipment. For more details, see "Financial Information — Capital Expenditures".
4	Establish a premier clinical testing and laboratory center at Group level by 2015	8%	101	For more details, see "Financial Information — Capital Expenditures".
5	Payment of capital commitment to Yan Hua Hospital Group by 2015. . . .	7%	80	For more details, see "Business — Our Hospital Network — Yan Hua Hospital Group".
6	Working capital and other general corporate purposes	10%	123	

Should the Offer Price be determined at HK$5.88 per Share (being the low-end of the indicative Offer Price range), or at HK$7.38 per Share (being the high-end of the indicative Offer Price range), the net proceeds that we will receive will be approximately HK$1,083 million and approximately HK$1,372 million, respectively. If the Over-allotment Option is exercised in full, we will receive additional net proceeds of approximately HK$192 million, assuming an offer price of HK$6.63 per Share, being the mid-point of the indicative Offer Price range. In any of these events, we intend to allocate 10% of the net proceeds received by us for our working capital and other general corporate purposes. The net proceeds we intend to allocate for items 2, 3, 4 and 5 as disclosed in the table above will remain the same and the remaining net proceeds will be used to finance the expansion of our hospital network. Although we have no plans as of the Latest Practicable Date to execute any equity investment or property acquisition or enter into a PPP, we engage in active discussions with public hospitals regarding any form of cooperation from time to time.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes, the Directors may allocate part or all of the proceeds to short-term interest-bearing deposits and/or money-market instruments with authorized financial institutions and/or licensed banks in Hong Kong and/or the PRC.

We will issue an appropriate announcement if there is any material change in the abovementioned use of proceeds.

HONG KONG UNDERWRITERS

Joint Global Coordinators (in alphabetical order)

Deutsche Bank AG, Hong Kong Branch
Goldman Sachs (Asia) L.L.C.

Joint Bookrunners and Joint Lead Managers

Deutsche Bank AG, Hong Kong Branch
Goldman Sachs (Asia) L.L.C.
BOCOM International Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering initially 20,091,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares and any Shares which may be issued pursuant to the exercise of options granted or to be granted under the Share Option Scheme; (ii) the International Purchase Agreement having been signed and becoming unconditional; and (iii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus and the related Application Forms, for the Hong Kong Offer Shares now being offered and which are not taken up under the Hong Kong Public Offering.

Grounds for Termination

(A) The Joint Bookrunners, for themselves and on behalf of the Hong Kong Underwriters, shall be entitled by notice, orally or in writing, to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the

Cayman Islands, the British Virgin Islands, the United States, the United Kingdom, the European Union (or any member thereof), Japan or any other jurisdiction relevant to any member of the Group or any healthcare institution managed by the Group (the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities of the Company or generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange or the Tokyo Stock Exchange; or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong or the Hong Kong Monetary Authority or other competent authority), the PRC, the Cayman Islands, the British Virgin Islands, New York (imposed at Federal or New York State level or other competent authority), London, the European Union (or any member thereof), Japan or any other jurisdiction relevant to any member of the Group or any healthcare institution managed by the Group, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or

(v) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any Relevant Jurisdictions; or

(vi) the imposition of sanctions, in whatever form, directly or indirectly, administered by or related to the Office of Foreign Assets Control of the U.S. Department of the Treasury or similar sanctions by, or for, the United States, United Nations or the European Union (or any member thereof) on Hong Kong, the PRC or any other jurisdiction relevant to any member of the Group or any healthcare institution managed by the Group; or

(vii) any change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any Relevant Jurisdictions; or

(viii) any litigation or claim of any third party being threatened or instigated against any member of the Group or any healthcare institution managed by the Group; or

(ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(x) the Chairman of the Board and/or Chief Executive Officer of the Company vacating their offices; or

(xi) an authority or a political body or organization in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xii) a contravention by any member of the Group of the Listing Rules or applicable laws; or

(xiii) a prohibition by an authority on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares pursuant to the terms of the Global Offering; or

(xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xv) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvi) an order or petition for the winding-up of any member of the Group or any healthcare institution managed by the Group, or any composition or arrangement made by any member of the Group or any healthcare institution managed by the Group with its creditors, or a scheme of arrangement entered into by any member of the Group or any healthcare institution managed by the Group, or any resolution for the winding-up of any member of the Group or any healthcare institution managed by the Group, or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or any healthcare institution managed by the Group, or anything analogous thereto occurring in respect of any member of the Group, which, individually or in the aggregate, in the sole opinion of the Joint Bookrunners, acting collectively, (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Bookrunners collectively:

(i) that any statement contained in this prospectus, the Application Forms, any notices and/or any announcements issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in such documents are not in any material aspect fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from either this prospectus or the Application Forms; or

(iii) any material breach of any of the obligations imposed upon any party (other than upon any of the Hong Kong Underwriters or the International Purchasers) to the Hong Kong Underwriting Agreement or the International Purchase Agreement; or

(iv) any event, act or omission which gives or is likely to give rise to any material liability of any of the indemnifying parties as set out in the Hong Kong Underwriting Agreement; or

(v) any adverse change, or any development involving a prospective adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of the Group or any healthcare institution managed by the Group, taken as a whole; or

(vi) any material breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the warranties of the Controlling Shareholders and the Company as set out in the Hong Kong Underwriting Agreement; or

(vii) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(vii) the Company withdraws this prospectus and the Application Forms or the Global Offering; or

(ix) any person (other than the Joint Sponsors) has withdrawn or subject to withdraw its consent to being named in this prospectus or to the issue of either this prospectus and/or the Application Forms.

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertaking By Us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within such period), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertaking By the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange that except pursuant to the Global Offering and the Over-allotment Option, he or she or it shall not and shall procure that the relevant registered holder(s) shall not:

- in the period commencing from the Latest Practicable Date and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create, any options, rights, interests or encumbrances in respect of, any of those Shares or securities of the Company in respect of which he or she or it is shown in this prospectus to be the beneficial owner(s); or

- in the period of six months commencing on the date on which the period referred to in the preceding paragraph expires, dispose of, or enter into any agreement to dispose of or otherwise create, any options, rights, interests or encumbrances in respect of, any of the Shares or securities of the Company referred to in the preceding paragraph if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or she or it or all of them as a group would cease to be our Controlling Shareholder(s).

Pursuant to Note 3 to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has further undertaken to each of the Company and the Stock Exchange that, within the period commencing on the Latest Practicable Date and ending on the date which is 12 months from the Listing Date, he or she or it will:

- when he or she or it pledges or charges any Shares or other securities of the Company beneficially owned by him or her or it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such Shares or other securities of the Company so pledged or charged; and

- when he or she or it receives any indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities will be disposed of, immediately inform us of any such indications.

We have agreed and undertaken to the Stock Exchange that, we shall inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement as soon as possible.

UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

Undertaking By Us

We have, pursuant to the Hong Kong Underwriting Agreement, undertaken to each of the Joint Global Coordinators, the Joint Bookrunners, the Hong Kong Underwriters and the Joint Sponsors not to, and to procure each other member of the Group not to, without the prior written consent of the Joint Sponsors, the Joint Global Coordinators and the Joint Bookrunners (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"):

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable), or deposit any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires, the Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company. Each Controlling Shareholder undertakes to each of the Joint Global Coordinators, the Joint Bookrunners, the Hong Kong Underwriters and the Joint Sponsors to procure the Company to comply with the above undertakings.

Undertaking By Controlling Shareholders

Speed Key Limited has undertaken to each of the Company, the Joint Global Coordinators, the Joint Bookrunners, the Hong Kong Underwriters and the Joint Sponsors that, and each of Ms. Xu Jie and Ms. Xu Xiaojie shall use her best endeavors to procure Speed Key Limited that, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), it will not, at any time during the period commencing on the date of this prospectus and ending on, and including, the date that is twelve months after the Listing Date (the "Lock-up Period") (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any interest therein (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in clause (i) or (ii) of this paragraph, or (iv) offer to or agree to or announce any intention to effect any transaction specified in clause (i), (ii) or (iii) of this paragraph, in each case, whether any of the transactions specified in clause (i), (ii) or (iii) of this paragraph is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the Lock-up Period).

UNDERTAKING BY EXISTING SHAREHOLDERS

Each of Hyde International Investment Limited, Senmart Investments, Exalt Great Limited, Silvapower Investments, Vertex Fund and Green Talent has agreed with the Company that, before the Listing Date, it will enter into a lock-up agreement with the Underwriters pursuant to which it shall not sell or otherwise transfer or dispose of any Shares for at least one year from the Listing Date.

HONG KONG UNDERWRITERS' INTEREST IN OUR COMPANY

Other than their obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters is interested legally or beneficially, directly or indirectly, in any Shares or other securities in our Company or any other member of the Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any Shares or other securities in our Company or any other member of the Group. Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

INTERNATIONAL OFFERING

International Purchase Agreement

In connection with the International Offering, it is expected that we will enter into the International Purchase Agreement with the International Purchasers, among other parties. Under the International Purchase Agreement, the International Purchasers, subject to certain conditions, will agree severally and not jointly to purchase, or procure purchasers for, the International Offer Shares being offered pursuant to the International Offering.

Under the International Purchase Agreement, it is expected that we will grant to the International Purchasers the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Purchasers, in whole or in part at one or more times, at any time from the Listing Date until the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 30,136,000 additional Shares, representing in aggregate not more than approximately 15.00% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price to cover, among other things, over-allocations, if any, in the International Offering.

We have agreed to indemnify the International Purchasers against certain liabilities, including liabilities under the U.S. Securities Act.

UNDERWRITING COMMISSION AND LISTING EXPENSES

The Underwriters will receive an underwriting commission per Offer Share of 2.5% of the Offer Price for the Offer Shares (including Offer Shares sold pursuant to the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees. In addition, the Company may, in its sole discretion, pay certain Underwriters an incentive fee of up to 1.5% of the Offer Price per Offer Share. For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Purchasers (but not the Hong Kong Underwriters).

The aggregate commission and fees, together with the Stock Exchange listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering, which are currently estimated to be approximately HK$107 million in aggregate (based on an Offer Price of HK$6.63 per Share, being the mid-point of the stated price range of the Offer Price between HK$5.88 and HK$7.38 per Share, and the assumption that the Over-allotment Option is not exercised) is to be borne by us.

INDEPENDENCE OF JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of 20,091,000 Offer Shares (subject to adjustments as mentioned below) in Hong Kong as described below in "— The Hong Kong Public Offering"; and

- the International Offering of initially 180,816,000 Offer Shares (subject to adjustments as mentioned below) outside the United States in offshore transactions in reliance on Regulation S, and in the United States solely to Qualified Institutional Buyers, or QIBs, as described below in "— The International Offering".

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Purchasers, exercisable by the Joint Global Coordinators on behalf of the International Purchasers. The Over-allotment Option gives the Joint Global Coordinators the right, exercisable at any time from the Listing Date up to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 30,136,000 additional Shares, representing 15.00% of the initial size of the Global Offering, at the Offer Price to cover, among other things, over-allocations, if any, in the International Offering. In the event that the Over-allotment Option is exercised, a press announcement will be made.

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offering; or

- apply for or indicate an interest for the International Offer Shares under the International Offering,

but may not do both.

The 200,907,000 Offer Shares in the Global Offering will represent approximately 25.0% of our enlarged share capital immediately after the completion of the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of our enlarged share capital immediately following the completion of the Global Offering.

References to applications, application forms, application monies or procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

We are initially offering 20,091,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.00% of the total number of Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth below in "— Conditions of the Global Offering".

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of HK$5.0 million (excluding the brokerage fee, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and

- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of more than HK$5.0 million (excluding the brokerage fee, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the "subscription price" for the Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 10,045,500 Hong Kong Offer Shares will be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. In accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 to the Listing Rules, if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Hong Kong Offer Shares will be increased to 60,273,000 Offer Shares (in the case of (i)), 80,363,000 Offer Shares (in the case of (ii)) and 100,454,000 Offer Shares (in the case of (iii)), representing approximately 30.0%, 40.0% and 50.0% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), respectively.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B in equal proportion and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators shall have the discretion to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, regardless of whether any reallocation pursuant to paragraph 4.2 of Practice Note 18 of the Listing Rules is triggered.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$7.38 per Hong Kong Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share amounting to a total of HK$3,727.19 for one board lot of 500 Shares. If the Offer Price, as finally determined in the manner described in "— Pricing and Allocation", is less than the maximum price of HK$7.38 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For more details, see "How to Apply for Hong Kong Offer Shares".

THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Offering 180,816,000 Offer Shares, representing approximately 90.00% of the Offer Shares under the Global Offering and approximately 22.50% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for our Offer Share. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to the Price Determination Date.

Allocation of the International Offer Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of us and our shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any applications of Hong Kong Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation" or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Purchasers.

Pursuant to the Over-allotment Option, the International Purchasers have the right, exercisable by the Joint Global Coordinators on behalf of the International Purchasers at any time during the 30 day period from the last date for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to 15.00% of the total number of the Offer Shares under the Global Offering at the Offer Price under the International Offering to cover, among other things, over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Shares to be issued pursuant thereto will represent approximately 3.75% of our issued share capital immediately following the completion of the Global Offering before the issue of such additional Shares. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager or any persons acting for it, to conduct any such stabilizing action. Such stabilizing action, if taken, will be conducted at the absolute discretion of the Stabilizing Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering. Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in Shares should note that:

- the Stabilizing Manager may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time period for which the Stabilizing Manager will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date and is expected to expire on Saturday, December 21, 2013, being the 30th day after the last day for lodging applications under the Hong Kong Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of any security (including the Shares) cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager or any person acting for it may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between us and the Joint Global Coordinators on behalf of the Underwriters, on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Thursday, November 21, 2013 (Hong Kong time), and in any event, not later than Wednesday, November 27, 2013 (Hong Kong time). Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this prospectus.

The Offer Price will not be more than HK$7.38 and is expected to be not less than HK$5.88, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offer as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offer, you must pay the maximum offer price of HK$7.38 per Offer Share, plus 1% brokerage fee, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee. This means that for one board lot of 500 Shares, you should pay HK$3,727.19 at the time of your application.

If the Offer Price, as finally determined in the manner described below, is lower than HK$7.38, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see "How to Apply for Hong Kong Offer Shares".

The International Purchasers will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) of the reduction and posted on the website of the Stock Exchange (**www.hkexnews.hk**) and on our website (**www.phg.com.cn**) (the contents of the website do not form a part of the prospectus).

Upon issue of such a notice, the revised number of Offer Shares and/or offer price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised offer price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in the section "Summary", and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with the Company and the Joint Global Coordinators (on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

The Offer Price, an indication of the level of interest in the International Offering, the basis of allotment of Offer Shares available under the Hong Kong Public Offering and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the section "How to Apply for Hong Kong Offer Shares — Despatch/Collection of Share Certificates and Refund Monies".

UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to the Company and the Joint Global Coordinators (on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Purchase Agreement relating to the International Offering on the Price Determination Date. These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Purchase Agreement, are summarized in the section "Underwriting".

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on:

- the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue (including Shares to be issued pursuant to the exercise of any Options which may be granted pursuant to the Share Option Scheme);
- the Offer Price being duly determined;
- the execution and delivery of the International Purchase Agreement on the Price Determination Date; and
- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Purchasers under the International Offering Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Purchase Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Wednesday, November 27, 2013. If, for any reason, the Offer Price is not agreed between the Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before Wednesday, November 27, 2013, the Global Offering will not proceed and will lapse. The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange (**www.hkexnews.hk**) and on our website (**www.phg.com.cn**) on the next day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set forth in the section "How to Apply for Hong Kong Offer Shares — Despatch/Collection of Share Certificates and Refund Monies". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Hong Kong Banking Ordinance.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, November 29, 2013, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, November 29, 2013.

The Shares will be traded in board lots of 500 Shares each and the stock code of the Shares will be 1515.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online through the designated website of the **White Form eIPO** Service Provider, referred herein as the "**White Form eIPO**"; or
- give **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf.

None of you or your joint applicant(s) may make more than one application (whether individually or jointly), except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are not a United States person (as defined in Regulation S under the U.S. Securities Act);
- are outside the United States and will be acquiring the Hong Kong Offer Shares in an offshore transaction (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply online through the **White Form eIPO** Service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** for the Hong Kong Offer Shares.

We, the Joint Global Coordinators or the designated **White Form eIPO** Service Provider (where applicable) or our or their respective agents have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- are an associate (as defined in the Listing Rules) of any of the above;
- are a connected person (as defined in the Listing Rules) of the Company (or its subsidiaries) or will become a connected person of the Company (or its subsidiaries) immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, November 18, 2013 until 12:00 noon on Thursday, November 21, 2013 from:

- any of the following offices of the Joint Bookrunners:

Deutsche Bank AG, Hong Kong Branch	**Goldman Sachs (Asia) L.L.C.**	**BOCOM International Securities Limited**
Level 52	68th Floor, Cheung Kong Center	9/F, Man Yee Building
International Commerce Centre	2 Queen's Road Central	68 Des Voeux Road Central
1 Austin Road West	Central	Hong Kong
Kowloon	Hong Kong	
Hong Kong		

- any of the following branches of the receiving bank for the Hong Kong Public Offer:

Bank of Communications Co., Ltd. Hong Kong Branch

District	Branch Name	Address
Hong Kong Island	Hong Kong Branch	20 Pedder Street, Central
	Central District Sub-Branch	G/F., Far East Consortium Bldg, 125A Des Voeux Road C., Central
	Quarry Bay Sub-Branch	G/F., 981 C, King's Road, Quarry Bay
	King's Road Sub-Branch	67-71 King's Road
	Chaiwan Sub-Branch	G/F., 121-121A Wan Tsui Road
Kowloon	Cheung Sha Wan Plaza Sub-Branch	Unit G04, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road
	Kwun Tong Sub-Branch	Shop A, G/F., Hong Ning Court, 55 Hong Ning Road
	Tsimshatsui Sub-Branch	Shop 1-3, G/F., 22-28 Mody Road
	Kowloon Sub-Branch	G/F., 563 Nathan Road
New Territories	Tai Po Sub-Branch	Shop No.1, G/F., Wing Fai Plaza, 29-35 Ting Kok Road
	Market Street Sub-Branch	G/F., 53 Market Street, Tsuen Wan
	Tseung Kwan O Sub-Branch	Shop 253-255, Metro City Shopping Arcade, Phase I, Tseung Kwan O

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, November 18, 2013 until 12:00 noon on Thursday, November 21, 2013 from:

- The Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or

- Your stockbroker, who may have such Application Forms and this prospectus available.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. — Phoenix Healthcare Public Offer" for the payment, should be securely stapled and deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Monday, November 18, 2013 – 9:00 a.m. to 5:00 p.m.

- Tuesday, November 19, 2013 – 9:00 a.m. to 5:00 p.m.

- Wednesday, November 20, 2013 – 9:00 a.m. to 5:00 p.m.

- Thursday, November 21, 2013 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, November 21, 2013, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** Service Provider, among other things, you:

- undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

- agree to comply with the Hong Kong Companies Ordinance and the Articles of Association;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form(s) and agree to be bound by them;

- confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

- confirm that you are aware of the restrictions on the Global Offering in this prospectus;

- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

- agree to disclose to the Company, our Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form(s);

- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

- agree that your application will be governed by the laws of Hong Kong;

- represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

- warrant that the information you have provided is true and accurate;

- agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

- authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

- understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** Service by you or by any one as your agent or by any other person; and

- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the **Yellow** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO

General

Individuals who meet the criteria in "2. Who can apply" may apply by filling out the **White Form eIPO** for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application by filling out the **White Form eIPO** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO**.

Time for Submitting Applications under the White Form eIPO

You may submit your application through the **White Form eIPO** Service at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, November 18, 2013 until 11:30 a.m. on Thursday, November 21, 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, November 21, 2013 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of the **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application by filling out the **White Form eIPO** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 per each "**Phoenix Healthcare Group Co. Ltd**" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang — Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

- HKSCC Nominees will do the following things on your behalf:

  (a) agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

  (b) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

  (c) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

  (d) declare that only one set of **electronic application instructions** has been given for your benefit;

  (e) (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

  (f) confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

  (g) authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

  (h) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

  (i) confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

  (j) agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

  (k) agree to disclose your personal data to the Company, our Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;

  (l) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

(m) agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

(n) agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

(o) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

(p) agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Hong Kong Companies Ordinance and the Articles of Association; and

(q) agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, November 18, 2013	–	**9:00 a.m. to 8:30 p.m.[(1)]**
Tuesday, November 19, 2013	–	**8:00 a.m. to 8:30 p.m.[(1)]**
Wednesday, November 20, 2013	–	**8:00 a.m. to 8:30 p.m.[(1)]**
Thursday, November 21, 2013	–	**8:00 a.m.[(1)] to 12:00 noon**

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, November 18, 2013 until 12:00 noon on Thursday, November 21, 2013 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, November 21, 2013, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares by filling out the **White Form eIPO** is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying by filling out the **White Form eIPO** will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, November 21, 2013.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or by filling out the **White Form eIPO**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or by filling out the **White Form eIPO** in respect of a minimum of 500 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 500 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For more details on the Offer Price, see "Structure of the Global Offering — Pricing and Allocation".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming signal number 8 or above; or

- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, November 21, 2013. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, November 21, 2013 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, November 28, 2013 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), on the Company's website at **www.phg.com.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.phg.com.cn** and the Stock Exchange's website at **www.hkexnews.hk** by no later than Thursday, November 28, 2013;

- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m., Thursday, November 28, 2013 to 12:00 midnight, Wednesday, December 4, 2013;

- by telephone enquiry line by calling (852) 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, November 28, 2013 to Sunday, December 1, 2013;

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, November 28, 2013 to Saturday, November 30, 2013 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. For more details, see "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$7.38 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, November 28, 2013.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

  Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, November 28, 2013. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m., on Friday, November 29, 2013 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, November 28, 2013 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, November 28, 2013, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, November 28, 2013, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, November 28, 2013, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, November 28, 2013 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply by filling out the White Form eIPO

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, November 28, 2013, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, November 28, 2013 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, November 28, 2013, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, November 28, 2013. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, November 28, 2013 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, November 28, 2013. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on 5:00 p.m. on Thursday, November 28, 2013.

15. Commencement of Dealings in the Shares

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, November 29, 2013.

The Shares will be traded in board lots of 500 each. The stock code of the Shares is 1515.

16. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

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

18 November 2013

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

Dear Sirs,

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

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

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

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

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

COMBINED STATEMENTS OF FINANCIAL POSITIONS

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

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

COMBINED STATEMENTS OF CHANGES IN EQUITY

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

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

Notes:

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

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

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

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

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

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

(vii) From 9 April 2013 to 3 June 2013, the Company, through Phoenix International and Star Target, acquired 100% equity interest in Beijing Phoenix at a total consideration of RMB499.6 million from its then shareholders which are accounted as deemed distribution to the equity holders of the Company and recognised in the capital reserve. Upon completion of this step, the capital of the Group represented the share capital of the Company and Pinyu and the share capital of Beijing Phoenix amounted to RMB140,580,000 was transferred to capital reserve.

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

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

COMBINED STATEMENTS OF CASH FLOWS

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

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

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

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 28 February 2013. The registered office of the Company is 4th Floor, Harbour Place, 103 South Church Street, Grand Cayman KY1-1002, Cayman Islands, and its principal place of business is located at Beijing, the PRC. The Company is an investment holding company.

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

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

2. BASIS OF PRESENTATION

Beijing Phoenix, formerly known as Beijing Phoenix United Hospital Management Joint Stock Co., Ltd. (北京鳳凰聯合醫院管理股份有限公司), was incorporated in the PRC as a joint-stock company by Beijing Wantong and Beijing Weike on 6 November 2007 and was the then holding company of the companies comprising the Group before the Reorganization.

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

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

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

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

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

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

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

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

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

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

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

3. APPLICATION OF IFRSs

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

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

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

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

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

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9 are described as follows:

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

The Financial Information has been prepared under the historical cost basis except for certain financial instruments that are measured at fair values as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Basis of combination

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

(i) has power over the investee;

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

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

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

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

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

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

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

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

Investment in a subsidiary

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

Revenue recognition

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

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

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

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

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

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

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

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

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

Property, plant and equipment

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

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

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

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

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

Leasing

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

The Group as lessee

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

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

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

Lease prepayment for land use right

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

Borrowing costs

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

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

Government grants

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

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

Retirement benefit costs

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

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

Intangible assets

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

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

Impairment of tangible and intangible assets

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

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

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

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

Taxation

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

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

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

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

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

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

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

Inventories

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Loans and receivables

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

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

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

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

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

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

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

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

Effective interest method

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

Interest expense is recognized on an effective interest basis.

Derecognition

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

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

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

Provisions

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Control over the hospitals under IOT agreements

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

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

Key sources of estimation uncertainty

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

Estimation of hospital management service income

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

Estimated useful lives and impairment of property, plant and equipment

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

Impairment of operating rights of IOT Hospitals classified as intangible assets

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

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

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

Provision for medical dispute claims

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

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

6. REVENUE

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

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

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

7. SEGMENT INFORMATION

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

(i) General hospital services

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

(ii) Hospital management services

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

(iii) Supply chain business

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

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

Segment revenue, results, assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Geographical information

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

Information about major customers

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

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

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

8. IOT ARRANGEMENTS

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

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

For the year ended 31 December 2010

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

For the year ended 31 December 2011

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

For the year ended 31 December 2012

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

For the six months ended 30 June 2012 (unaudited)

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

For the six months ended 30 June 2013

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

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

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

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

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

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

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

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

(v) Details of the IOT agreements

Yan Hua Hospital

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

Mentougou Hospital

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

Jing Mei Hospital

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

Mentougou TCM Hospital

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

9. OTHER INCOME

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

Note: On 10 January 2012, the Group entered into a one-year supply agreement with its supplier, Hong Hui Pharmaceutical Co., Ltd. (紅惠醫藥有限公司) ("Hong Hui"), for the supply of pharmaceuticals to Jian Gong Hospital, Yan Hua Hospital and Jing Mei Hospital. The agreement was renewed for one year on 27 December 2012 and additional renewed agreement was signed on 22 October 2013. Under the supply agreement, Hong Hui arranged itself or other suppliers to supply pharmaceuticals to Jian Gong Hospital, Yan Hua Hospital and Jing Mei Hospital through the supply chain subsidiaries of the Group or directly to these three hospitals. In consideration of granting to Hong Hui the priority to supply pharmaceuticals to these three hospitals, Hong Hui agrees to pay the Group an amount calculated based on a percentage of the total pharmaceutical purchases made by Jian Gong Hospital, Yan Hua Hospital and Jing Mei Hospital (the "Minimum Economic Benefit"). The fee income represents the difference between the amount of the Minimum Economic Benefit and the gross profit generated by the Group from the sale of pharmaceuticals to the three hospitals. The fee income was received/receivable from Hong Hui or from other suppliers as arranged by Hong Hui.

10. OTHER GAINS AND LOSSES

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

11. FINANCE COSTS

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

12. INCOME TAX EXPENSE

Income tax expense recognized in profit or loss:

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

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

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

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

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

13. PROFIT FOR THE YEAR/PERIOD

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

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

14. EMOLUMENTS OF DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

15. EARNINGS PER SHARE

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

16. DIVIDENDS

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

17. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

18. INTANGIBLE ASSETS

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

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

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

19. RECEIVABLES FROM IOT HOSPITALS

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

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

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

20. LEASE PREPAYMENTS FOR LAND USE RIGHT

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

Analyze for reporting purpose as:

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

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

21. DEFERRED TAX ASSETS

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

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

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

22. INVESTMENT IN A SUBSIDIARY

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

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

23. INVENTORIES

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

24. TRADE RECEIVABLES

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

	As at 31 December			As at 30 June
	2010	2011	2012	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Unbilled or within 60 days	20,100	20,219	64,907	92,654
61 to 180 days	—	3,626	18,103	17,864
	20,100	23,845	83,010	110,518

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

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date that credit were initially granted up to the end of each reporting period. The Group's exposure to the concentration of credit risk is disclosed in Note 41.

25. PREPAYMENTS AND OTHER RECEIVABLES

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

26. SHORT-TERM INVESTMENTS

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

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

27. BANK BALANCES AND CASH

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

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

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

28. TRADE PAYABLES

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

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

29. OTHER PAYABLES

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

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

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

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

30. OBLIGATION UNDER FINANCE LEASES

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

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

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

31. BORROWINGS

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

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

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

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

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

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

32. RETIREMENT BENEFIT OBLIGATIONS

32.1 Defined contribution plans

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

32.2 Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

33. NON-WHOLLY OWNED SUBSIDIARY

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

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

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

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

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

34. CAPITAL

The Company

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

	RMB'000
Presented as	109

Notes:

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

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

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

The Group

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

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

The Group's capital at 30 June 2013 represented the aggregate amount of issued share capital of the Company of RMB0.1 million and issued share capital of Pinyu of USD1 (equals to approximately RMB6). The authorised share capital of USD50,000. On 2 July 2013, Unison Champ acquired 100% equity interest in Pinyu, who is the sole shareholder of Star Target, from Green Talent, and in exchange, the Company allotted and issued 14,680,000 Shares to Green Talent, one institutional investor. Pursuant to the Reorganization which was completed on 2 July 2013, the Company has become the holding company of the entities now comprising the Group.

35. SHARE PREMIUM AND RESERVES OF THE COMPANY

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

36. OPERATING LEASES

The Group as lessee

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

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

37. CAPITAL COMMITMENTS

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

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

38. CONTINGENT LIABILITIES

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

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

39. RELATED PARTY TRANSACTIONS

(a) Names and relationships

Names and relationships with related parties are as follows:

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

(b) Related party transactions

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

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

(c) Related party balances

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

Amounts due from related parties

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

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

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

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

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

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

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

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

Notes:

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

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

Amounts due to related parties/a fellow subsidiary

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

Notes:

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

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

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

(d) Other related party transactions

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

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

40. NON-CASH TRANSACTIONS

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

41. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Categories of financial instruments

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

Financial risk management objectives and policies

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

Currency risk

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

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

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

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

Sensitivity analysis

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

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

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

Interest rate risk

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

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

Credit risk

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

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

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

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

Liquidity risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fair value of financial instruments

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

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

42. CAPITAL RISK MANAGEMENT

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

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

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

B. DIRECTORS' REMUNERATION

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

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

C. SUBSEQUENT EVENTS

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

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

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

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

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

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

3. On 2 July 2013, Unison Champ acquired 100% equity interest in Pinyu, who is the sole shareholder of Star Target, from Green Talent, and in exchange, the Company allotted and issued 14,680,000 Shares to Green Talent, an institutional investor. Upon the completion of this step, the Group completed the Reorganization as described in Note 2 in preparation for the Listing.

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

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

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

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

D. SUBSEQUENT FINANCIAL STATEMENTS

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

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the accountants' report on the historical financial information of the Group (the "Accountants' Report") from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the "Accountants' Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to the equity holders of the Company has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules, which is set forth below to illustrate the effect of the Global Offering on the combined net tangible assets of the Group attributable to the equity holders of the Company as of 30 June 2013, as if it had taken place on 30 June 2013.

This unaudited pro forma statement of adjusted combined net tangible assets of the Group attributable to the equity holders of the Company has been prepared for illustrative purposes only and, due to its hypothetical nature, may not give a true picture of the combined net tangible assets (liabilities) of the Group attributable to the equity holders of the Company had the Global Offering been completed as of 30 June 2013 or at any future date. It is prepared based on the audited combined net tangible liabilities of the Group attributable to the equity holders of the Company as of 30 June 2013 as set forth in the Accountants' Report contained in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible liabilities of the Group attributable to the equity holders of the Company as of 30 June 2013	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the equity holders of the Company	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to the equity holders of the Company per Share
	RMB'000	RMB'000	RMB'000	RMB
	(Note 1)	(Note 2)		(Note 3)
Based on an Offer Price of HK$5.88 per Share	(31,102)	857,471	826,369	1.03
Based on an Offer Price of HK$7.38 per Share	(31,102)	1,086,514	1,055,412	1.31

Notes:

(1) The audited combined net tangible liabilities of the Group attributable to the equity holders of the Company as of 30 June 2013 is extracted from the Accountants' Report set forth in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to the equity holders of the Company as of 30 June 2013 of approximately RMB285.1 million less the intangible assets of the Group as of 30 June 2013 of approximately RMB316.2 million.

(2) The estimated net proceeds from the Global Offering are based on 200,907,000 Offer Shares of the indicative Offer Price of HK$5.88 (equivalent to RMB4.66) and HK$7.38 (equivalent to RMB5.84) per Offer Share, respectively after deduction of total estimated underwriting commissions and fees and other related expenses (excluding approximately RMB1.8 million listing expenses which has been accounted for up to 30 June 2013) payable by the Company, and does not takes into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or upon the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors.

For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in Hong Kong dollars ("HK$") has been converted in Renminbi ("RMB") at the rate of RMB1 to HK$1.2630, as set out in "INFORMATION ABOUT THIS PROSPECTS AND THE GLOBAL OFFERING — CURRENCY TRANSLATIONS" to this prospectus. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or at all.

(3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the equity holders of the Company per Share is arrived at after the adjustments referred to in note 2 and on the assumption that 803,627,000 Shares (being the number of shares in issue as of date of this prospectus and those shares to be issued pursuant to the Global Offering) were in issue upon completion of the Global Offering. It takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or upon the exercise of options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors.

(4) No adjustment has been made to the audited combined net tangible liabilities of the Group attributable to the equity holders of the Company as of 30 June 2013 to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2013.

(5) Based on the property valuation reports as of 30 September 2013 as set forth in "Appendix III — Property Valuation Report", the property interests of the Group attributable to the equity holders of the Company had a revaluation surplus up to 30 September 2013 of approximately RMB36.3 million (please refer to "Financial information — Reconciliation of Appraised Property Values with Net Book Values" for more details), representing the excess of the market value of these properties over their book value to the extent attributable to equity holders of the Company. The unaudited pro forma adjusted combined net tangible assets of the Group attributable to the equity holders of the Company has not taken into account of the revaluation surplus of properties held for own use properties, nor will the Group incorporate the revaluation surplus in its future financial statements. If the revaluation surplus up to 30 September 2013 is to be incorporated in the Group's future financial statements, additional annual depreciation and amortisation of approximately RMB2.3 million would be charged as expenses in the combined statement of profit or loss and other comprehensive income.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

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

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF PHOENIX HEALTHCARE GROUP CO. LTD

We have completed our assurance engagement to report on the compilation of pro forma financial information of Phoenix Healthcare Group Co. Ltd (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets of the Group as at 30 June 2013 and related notes as set out on pages 1 to 2 of Appendix II to the prospectus issued by the Company dated 18 November 2013 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on pages 1 to 2 of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering (as defined in the Prospectus) on the Group's financial position as at 30 June 2013 as if such event had taken place at 30 June 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended 31 December 2012 and the six months ended 30 June 2013, on which an accountant's report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, November 18, 2013

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at September 30, 2013 of the property interests of the Phoenix Healthcare Group Co. Ltd.

JONES LANG LASALLE® 仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

November 18, 2013

The Board of Directors
Phoenix Healthcare Group Co. Ltd
Suites 1214-1215
Two Pacific Place
88 Queensway
Hong Kong

Dear Sirs,

In accordance with your instructions to value the property interest held by Phoenix Healthcare Group Co. Ltd (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") which have interests in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at September 30, 2013 (the "valuation date").

Our valuation was carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Where, due to the nature of the buildings and structures of the property in the PRC, there are no market sales comparables readily available, the buildings and structures have been valued by the cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of title documents including a State-owned Land Use Rights Certificate and a Building Ownership Certificate (BOC) relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Commerce & Finance Law Offices, concerning the validity of the property interest in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the property was carried out in the period from June 24, 2013 to June 28, 2013 by Stephanie Sun, who has obtained the Master of Property (First Class Honors) and Master of Business Administration degrees from The University of Auckland. Stephanie is a member of the Property Institute of New Zealand with 6 years' experience in the property valuation sector in both Asia Pacific and the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 19 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

VALUATION CERTIFICATE

Property interest held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at September 30, 2013
			RMB
A parcel of land, 25 buildings, and various structures located at No. 6 Rufuli Road Xicheng District Beijing The PRC	The property comprises a parcel of land with a site area of approximately 18,998.76 sq.m., 25 buildings and various structures erected thereon which were completed in various stages between 1980 and 2013. The buildings have a total gross floor area of approximately 30,150.26 sq.m. The aforementioned buildings include a medical consulting building, an office/medical examination center, and various ancillary buildings. The structures mainly include roads and garden fencing. The land use rights of a parcel of land of the property have been granted for a term expiring on August 24, 2060 for medical and charity uses.	The property is currently occupied by the Group for hospital purpose.	244,666,000 80% interest attributable to the Company: RMB195,733,000

Notes:

1. Beijing Jian Gong Hospital Co., Ltd. ("Jian Gong Hospital") (北京市健宮醫院有限公司) is 80% interest owned by the Company.

2. Pursuant to a State-owned Land Use Rights Certificate — Jing Xi Guo Yong (2011 Chu) Di No. 10045, the land use rights of a parcel of land with a site area of approximately 18,998.76 sq.m. have been granted to Jian Gong Hospital for a term of 50 years expiring on August 24, 2060 for medical and charity uses.

3. Pursuant to a Building Ownership Certificate — X Jing Fang Quan Zheng Xi Zi Di No. 072091, 16 buildings with a total gross floor area of approximately 21,434.2 sq.m. are owned by Jian Gong Hospital. According to the information provided by the Group, the actual total gross floor area of the aforementioned 16 buildings has been changed from 21,434.2 sq.m. to 28,190.92 sq.m. after completion of the renovation and building extension works (6,756.72 sq.m.) that have been carried out in 5 buildings.

4. For the remaining 9 buildings with a total gross floor area of approximately 1,959.34 sq.m., we have not been provided with proper title documents.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Jian Gong Hospital has obtained the legal title certificates of the land and the buildings mentioned in notes 2 and 3 (excluding the part of building extension), and has the rights to occupy, use, transfer, lease, or otherwise dispose of it in accordance with the prescribed use term stated in the title certificates;

   b. for the part of building extension mentioned in note 3 and the 9 buildings without title documents mentioned in note 4, Jian Gong Hospital may be subject to a penalty for having commenced construction of the building prior to obtaining the necessary construction permits, and for using the building without the necessary inspection and approval from the local authorities upon completion in accordance with the relevant PRC laws, rules and regulations. There is no material legal impediment for Jian Gong Hospital to obtain the construction permits and the title certificates after the planning and construction conditions imposed by relevant governmental authorities are satisfied and relevant inspection and approval procedures are completed; and

   c. If the hospital's medical buildings and land are used for medical purpose, then with or without ownership certificates, they are not permitted to be used as collateral for borrowings due to the requirements under the applicable PRC laws, rules and regulations. Accordingly, Jian Gong Hospital has no rights to mortgage the land and buildings mentioned in notes 2, 3, and 4.

6. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the part of building extension mentioned in note 3 and the 9 buildings mentioned in note 4 which are without title documents. However, for reference purpose, we are of the opinion that the depreciated replacement cost of them (excluding the land element) as at the valuation date would be RMB21,591,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

7. The property contributes a significant portion of revenue to the Group, we are of the view that the property is the material property held by the Group:

   Details of the material property

(a)	General description of location of the property	:	The subject property (known as Beijing Jian Gong Hospital) is located at the northern side of Rufuli Road, which connects Tao Ranting Street. The property is close to Cai Shikou Road which is one of the main roads of the city. A range of transportation facilities are available near the property, such as the Subway Line 4 and Beijing South Railway Station. Besides, the Tao Ranting Park is located nearby within easy walking distance.
(b)	Details of encumbrances, liens, pledges, mortgages against the property	:	Nil
(c)	Environmental Issue	:	No environmental impact assessment has been carried out.
(d)	Details of investigations, notices, pending litigation, breaches of law or title defects	:	The Group has not obtained title certificates to the part of building extension (6,756.72 sq.m.) and the 9 buildings (1,959.34 sq.m.) with a total gross floor area of approximately 8,716.06 sq.m.. Please refer to notes 3 and 4 for details of buildings with title defects. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser. Please refer to note 5 for detail.
(e)	Future plans for construction, renovation, improvement or development of the property	:	As advised by the Company, there is no plan for new major development in the next 12 months from the date of this document.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on February 28, 2013 under the Companies Law (Revised) of the Cayman Islands (the "Companies Law"). The Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on September 30, 2013. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office or director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution-majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' notice has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorized representative shall have one vote and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless voting by way of a poll is required by the rules of the Designated Stock Exchange (as defined in the Articles) or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy for the time being entitled to vote at the meeting or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right or (v) if required by the rules of the Designated Stock Exchange (as defined in the Articles), by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by at least twenty-one (21) clear days' notice in writing, and any other extraordinary general meeting shall be called by at least fourteen (14) clear days' notice (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every business day by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner or purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from March 19, 2013.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up by either an order of the Court or by a special resolution of its members. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidator; and the Court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting shall be called by Public Notice (as defined in the Companies Law) or otherwise as the Registrar of Companies of the Cayman Islands may direct.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Harney Westwood & Riegels, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in "Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

We were incorporated in the Cayman Islands with limited liability under the Companies Law on February 28, 2013. We have established a place of business in Hong Kong at Suites 1214 – 1215, Two Pacific Place, 88 Queensway, Hong Kong and registered as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance under the same address. Mr. Wong Kwok Hung Kendrick and Mr. Or Wing Kee have been appointed as the authorized representatives of our Company for the acceptance of service of process and notices on behalf of our Company to be served on the Company in Hong Kong. The Company has registered its Chinese name 鳳凰醫療集團有限公司 with the Registrar of Companies of Cayman Islands on February 28, 2013.

As we are incorporated in the Cayman Islands, our corporate structure, and our Memorandum of Association and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of our Memorandum of Association and Articles of Association and certain relevant aspects of the Companies Law are set out in Appendix IV to this prospectus.

2. Changes in share capital

On February 28, 2013, the date of our incorporation, our authorized share capital was HK$380,000 divided into 3,800,000 shares of HK$0.10 each. The following sets out the changes in our share capital since the date of our incorporation:

- On February 28, 2013, one share of HK$0.10 was allotted and issued to the initial subscriber Codan Trust Company (Cayman) Limited for cash at par and such one share was transferred to Time Speed Developments Limited, which is owned by Ms. Xu Jie.

- On March 19, 2013, Time Speed Developments Limited transferred its one share to Speed Key Limited.

- On April 17, 2013, our then sole shareholder, Speed Key Limited and directors passed resolutions approving a sub-division in our share capital. Each ordinary share of nominal value HK$0.10 was sub-divided into 100 ordinary shares of nominal value of HK$0.001 each. As a result of the sub-division, Speed Key Limited held 100 Shares.

- On May 3, 2013, our directors passed resolutions approving issuance and allotment of 69,339,900, 4,810,000 and 15,590,000 shares to Speed Key Limited, Exalt Great Limited and Hyde International Investment Limited.

- On June 13, 2013, our directors passed resolutions approving issuance and allotment of 36,480,000, 8,300,000 and 1,480,000 shares to Senmart Investments, Silvapower Investments and Vertex Fund, respectively.

- On July 2, 2013, our directors passed resolutions approving issuance and allotment of 14,680,000 shares to Green Talent.

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

- Assuming that the Global Offering becomes unconditional and the Offer Shares are issued, immediately following completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK$200,906.75 divided into 803,627,000 Shares, all fully paid or credited as fully paid and 716,373,000 Shares will remain unissued.

Save as disclosed in this prospectus, there has been no alteration in our share capital within the two years preceding the date of this prospectus.

3. Resolutions of our Shareholders

Pursuant to the written resolutions passed by our Shareholders on September 30, 2013, among other matters:

(a) our Company conditionally approved and adopted the Memorandum of Association and Articles of Association which will take effect on the Listing Date;

(b) conditional upon the conditions for completion of the Global Offering being fulfilled:

(i) the Global Offering was approved and our directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering;

(ii) the Over-allotment Option was approved and our Directors were authorized to allot and issue any Shares which may be required to be issued if the Over-allotment Option is exercised;

(iii) the rules of the Share Option Scheme were approved and adopted and our directors were authorized to implement the same, grant options to subscribe for shares thereunder and to allot, issue and deal with the shares pursuant to the exercise of the options which may be granted under the Share Option Scheme;

(c) a general unconditional mandate (the "Issuing Mandate") was given to our Directors to allot, issue and deal with (otherwise than pursuant to a rights issue, scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or upon the exercise of the options that may be granted under the Share Option Scheme or pursuant to the Global Offering) unissued Shares with an aggregate nominal value of not exceeding the sum of 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme) during the period prior to (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be held; or (iii) the revocation or variation of such mandate by any ordinary resolution of our Shareholders in a general meeting, whichever occurs first;

(d) a general unconditional mandate (the "Repurchase Mandate") was given to our Directors to exercise all powers for and on behalf of our Company to repurchase Shares with an aggregate nominal value of not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme) during the period prior to (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be held; or (iii) the revocation or variation of such mandate by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first;

(e) the Issuing Mandate was extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the Repurchase Mandate provided that such extended amount shall not exceed 10% of the aggregate nominal value of the issued share capital of our Company immediately following the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issue pursuant to the exercise of the options that may be granted under the Share Option Scheme).

4. Changes in share capital of the subsidiaries of our Group

Our subsidiaries are referred to in the Accountants' Report as set out in Appendix I. The following alterations in the share capital (or registered capital, as the case may be) of our subsidiaries have taken place within the two years preceding the date of this prospectus:

Unison Champ Limited

On January 7, 2013, Unison Champ was incorporated in the BVI as a limited liability company with an authorized share capital of US$50,000 divided into 50,000 shares. On February 8, 2013, one share of US$1.00 in the authorized share capital was allotted and issued to Green Talent. On March 13, 2013, Green Talent transferred its one share in Unison Champ to the Company.

Pinyu Limited

On January 3, 2013, Pinyu was incorporated in the BVI as a limited liability company with an authorized share capital of US$50,000 divided into 50,000 shares. On February 8, 2013, one share of US$1.00 in the authorized share capital was allotted and issued to Green Talent. On July 2, 2013, Green Talent transferred its one share in Pinyu to Unison Champ.

Star Target Investments Limited

On January 3, 2013, Star Target was incorporated in Hong Kong as a limited liability company with an authorized share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. On March 26, 2013, one share of HK$1.00 in the authorized share capital of Star Target was transferred from the initial subscriber to Pinyu.

Phoenix Healthcare International Investment Limited

On August 28, 2012, Citic Phoenix International Health Investment Co. Limited was incorporated in Hong Kong as a limited liability company with an authorized share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each. On March 19, 2013, Citic Phoenix International Healthcare Investment Co. Limited was renamed as Phoenix Healthcare International Investment Limited. On March 22, 2013, one share of HK$1.00 in the authorized share capital of Phoenix Healthcare International Investment Limited was transferred from the initial subscriber to Unison Champ.

Beijing Phoenix United Hospital Management Consulting Co., Ltd.

On November 6, 2007, 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 Beijing as a joint stock company with a registered and paid-up capital of RMB45 million. On December 4, 2007, the registered and paid-up capital of Beijing Phoenix United Hospital Management Joint Stock Co., Ltd. was increased to RMB72 million. On January 7, 2008, the registered and paid-up capital was increased to RMB99.6 million. On May 12, 2010, the registered and paid-up capital was increased to RMB130.58 million. On May 12, 2011, the registered and paid-up capital was increased to RMB140.58 million. On December 8, 2011, the registered and paid-up capital was increased to RMB165.58 million. On March 22, 2012, the registered and paid-up capital of the Company was reduced to RMB140.58 million. On March 8, 2013, Beijing Phoenix United Hospital Management Joint Stock Co., Ltd. was renamed as Beijing Phoenix United Hospital Management Co., Ltd. (北京鳳凰聯合醫院管理有限公司) and the company form was changed to a limited liability company. On May 28, 2013, Beijing Phoenix United Hospital Management Co., Ltd. was renamed as Beijing Phoenix United Hospital Management Consulting Co., Ltd. (北京鳳凰聯合醫院管理諮詢有限公司).

Beijing Jian Gong Hospital Co., Ltd. (北京市健宮醫院有限公司)

On May 12, 2003, Beijing Jian Gong Hospital Co., Ltd. was incorporated in Beijing as a limited liability company with a registered and paid-up capital of RMB80 million. On January 5, 2009, the registered and paid-up capital of Beijing Jian Gong Hospital Co., Ltd. was increased to RMB100 million. On May 18, 2011, the registered and paid-up capital of Jian Gong Hospital was increased to RMB420.5526 million.

Beijing Wanrong Yikang Medical Devices Co., Ltd. (北京萬榮億康醫藥有限公司)

On March 20, 2000, Beijing Wanrong Yikang Medical Devices Co., Ltd. was incorporated in Beijing as a limited liability company with a registered and paid-up capital of RMB3 million.

Beijing Phoenix Jiayi Medical Devices Co. Ltd. (北京鳳凰佳益醫療器械有限公司)

On December 9, 2004, Beijing Phoenix Luoke Medical Technique Co., Ltd. (北京鳳凰洛克醫學技術有限公司) was incorporated in Beijing as a limited liability company with a registered and paid-up capital of RMB4 million. On August 23, 2005, Beijing Phoenix Luoke Medical Technique Co., Ltd. was renamed as Phoenix Wanfeng Medical Technique (Beijing) Co., Ltd. (鳳凰萬峰醫學技術(北京)有限公司) and was then renamed as Beijing Phoenix Jiayi Medical Devices Co. Ltd. (北京鳳凰佳益醫療器械有限公司) on February 10, 2010.

Beijing Phoenix Easylife Healthcare Consulting Co., Ltd. (北京鳳凰益生醫學技術諮詢有限公司)

On January 18, 2008, Beijing Phoenix Easylife Healthcare Consulting Co., Ltd. was incorporated in Beijing as a limited liability company with a registered and paid-up capital of RMB1 million.

Beijing Phoenix Easylife Technology and Trade Co., Ltd. (北京鳳凰益生科貿有限公司)

On April 28, 2011, Beijing Phoenix Easylife Technology and Trade Co., Ltd. was incorporated in Beijing as a limited liability company with a registered and paid-up capital of RMB500,000.

5. Reorganization

The companies comprising the Group and the companies at the shareholders level of the Company underwent a reorganization to rationalize the business and the structure of the Company in anticipation of the Global Offering. For more details on such corporate reorganization, see "History and Reorganization".

6. Repurchases of our own securities

(A) Relevant legal and regulatory requirements in Hong Kong

The Listing Rules permit a listed company whose primary listing is on the Stock Exchange to repurchase its securities on the Stock Exchange subject to the following restrictions:

Shareholder's approval

All proposed repurchases of Shares (which must be fully paid up) must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction. Pursuant to a resolution passed by our Shareholders on September 30, 2013, a general unconditional mandate (being the Repurchase Mandate referred to above) was given to our Board authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme).

Source of funds

Repurchases by our Company must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Trading restrictions

The total number of Shares which our Company may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme). Without the prior approval of the Stock Exchange, our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by our Company to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. Our Company is required to procure that the broker appointed by it to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

Status of repurchased Shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under the Companies Law, unless prior to the repurchase, the directors of our Company resolve to hold the Shares repurchased by our Company as treasury shares, our Company's repurchased Shares shall be treated as cancelled and the amount of our Company's issued share capital shall be reduced by the aggregate par value of the repurchased Shares accordingly although the authorized share capital of our Company will not be reduced.

Suspension of repurchase

Pursuant to the Listing Rules, our Company may not make any repurchase of Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, under the requirements of the Listing Rules in force as at the date of this prospectus, during the period of one month immediately preceding the earlier of:

- the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- the deadline for our Company to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of our Shares on the Stock Exchange if our Company has breached the Listing Rules.

Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares. The report must state the total number of the Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. Moreover, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of the Shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid.

Connected parties

Our Company is prohibited from knowingly repurchasing Shares on the Stock Exchange from a connected person and a connected person shall not knowingly sell its securities to our Company on the Stock Exchange.

(B) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(C) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company which in the opinion of our Directors are from time to time inappropriate for our Company.

The exercise in full of the Repurchase Mandate, on the basis of 803,627,000 Shares in issue immediately after the Global Offering (and assuming that the Over-allotment Option is not exercised and none of the options that may be granted under the Share Option Scheme is exercised), could accordingly result in up to 80,362,700 Shares being repurchased by our Company during the period prior to (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to the held; or (iii) the revocation or variation of the purchase mandate by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first (the "Relevant Period").

(D) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Code on Takeovers and Mergers and Share Repurchase ("Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. No connected person has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

(a) an equity transfer agreement between Beijing Construction Engineering Group Co., Ltd. and Beijing Phoenix United Hospital Management Joint Stock Co., Ltd.

dated June 27, 2012, pursuant to which Beijing Construction Engineering Group Co., Ltd. agreed to transfer to Beijing Phoenix United Hospital Management Joint Stock Co., Ltd. 27.02% of the equity interest in Beijing Jian Gong Hospital Co., Ltd. at a consideration of RMB121,800,000;

(b) an equity transfer agreement between Star Target Investments Ltd. and Zhang Xiaodan dated April 9, 2013, pursuant to which Zhang Xiaodan agreed to transfer to Star Target Investments Ltd. 0.25% of the equity interest in Beijing Phoenix United Hospital Management Co., Ltd. at a consideration of RMB1,243,865;

(c) an equity transfer agreement between Star Target Investments Ltd. and Li Qidong dated April 9, 2013, pursuant to which Li Qidong agreed to transfer to Star Target Investments Ltd. 0.71% of the equity interest in Beijing Phoenix United Hospital Management Co., Ltd. at a consideration of RMB3,553,900;

(d) an equity transfer agreement between Star Target Investments Ltd. and Gu Yemei dated April 9, 2013, pursuant to which Gu Yemei agreed to transfer to Star Target Investments Ltd. 0.36% of the equity interest in Beijing Phoenix United Hospital Management Co., Ltd. at a consideration of RMB1,776,950;

(e) an equity transfer agreement between Star Target Investments Ltd. and Li Yongjie dated April 9, 2013, pursuant to which Li Yongjie agreed to transfer to Star Target Investments Ltd. 1.10% of the equity interest in Beijing Phoenix United Hospital Management Co., Ltd. at a consideration of RMB5,508,545;

(f) an equity transfer agreement between Star Target Investments Ltd. and Liang Hongze dated April 9, 2013, pursuant to which Liang Hongze agreed to transfer to Star Target Investments Ltd. 4.48% of the equity interest in Beijing Phoenix United Hospital Management Co., Ltd. at a consideration of RMB22,389,570;

(g) an equity transfer agreement between Star Target Investments Ltd. and Liu Jiping dated April 9, 2013, pursuant to which Liu Jiping agreed to transfer to Star Target Investments Ltd. 0.14% of the equity interest in Beijing Phoenix United Hospital Management Co., Ltd. at a consideration of RMB710,780;

(h) an equity transfer agreement between Star Target Investments Ltd. and Ni Jin dated April 9, 2013, pursuant to which Ni Jin agreed to transfer to Star Target Investments Ltd. 0.12% of the equity interest in Beijing Phoenix United Hospital Management Co., Ltd. at a consideration of RMB604,163;

(i) an equity transfer agreement between Star Target Investments Ltd. and Shi Hongxia dated April 9, 2013, pursuant to which Shi Hongxia agreed to transfer to Star Target Investments Ltd. 0.14% of the equity interest in Beijing Phoenix United Hospital Management Co., Ltd. at a consideration of RMB710,780;

(j) an equity transfer agreement between Star Target Investments Ltd. and Zhao Fengrui dated April 9, 2013, pursuant to which Zhao Fengrui agreed to transfer to Star Target Investments Ltd. 0.27% of the equity interest in Beijing Phoenix United Hospital Management Co., Ltd. at a consideration of RMB1,350,482;

(k) an equity transfer agreement between Star Target Investments Ltd. and Xu Zechang dated April 9, 2013, pursuant to which Xu Zechang agreed to transfer to Star Target Investments Ltd. 0.50% of the equity interest in Beijing Phoenix United Hospital Management Co., Ltd. at a consideration of RMB2,487,730;

(l) an equity transfer agreement between Star Target Investments Ltd. and Zhang Wei dated April 9, 2013, pursuant to which Zhang Wei agreed to transfer to Star Target Investments Ltd. 0.58% of the equity interest in Beijing Phoenix United Hospital Management Co., Ltd. at a consideration of RMB2,878,659;

(m) an equity transfer agreement between Star Target Investments Ltd. and Cui Jianjun dated April 9, 2013, pursuant to which Cui Jianjun agreed to transfer to Star Target Investments Ltd. 1.20% of the equity interest in Beijing Phoenix United Hospital Management Co., Ltd. at a consideration of RMB5,970,552;

(n) an equity transfer agreement between Star Target Investments Ltd. and Cheng Libing dated April 9, 2013, pursuant to which Cheng Libing agreed to transfer to Star Target Investments Ltd. 0.28% of the equity interest in Beijing Phoenix United Hospital Management Co., Ltd. at a consideration of RMB1,421,560;

(o) an equity transfer agreement between Star Target Investments Ltd. and Shan Baojie dated April 9, 2013, pursuant to which Shan Baojie agreed to transfer to Star Target Investments Ltd. 0.21% of the equity interest in Beijing Phoenix United Hospital Management Co., Ltd. at a consideration of RMB1,066,170;

(p) an equity transfer agreement between Star Target Investments Ltd. and Chen Qianjin dated April 9, 2013, pursuant to which Chen Qianjin agreed to transfer to Star Target Investments Ltd. 0.15% of the equity interest in Beijing Phoenix United Hospital Management Co., Ltd. at a consideration of RMB746,319;

(q) an equity transfer agreement between Star Target Investments Ltd. and Jiang Tianfan dated April 9, 2013, pursuant to which Jiang Tianfan agreed to transfer to Star Target Investments Ltd. 1.78% of the equity interest in Beijing Phoenix United Hospital Management Co., Ltd. at a consideration of RMB8,884,750;

(r) an equity transfer agreement between Star Target Investments Ltd. and Beijing Tianjian Runyuan Investment Center (Limited Partnership) dated April 9, 2013, pursuant to which Beijing Tianjian Runyuan Investment Center (Limited Partnership) agreed to transfer to Star Target Investments Ltd. 9.39% of the equity interest in Beijing Phoenix United Hospital Management Co., Ltd. at a consideration of RMB46,911,480;

(s) an equity transfer agreement between Star Target Investments Ltd. and Beijing Nuopu Investment Management Co., Ltd. dated April 9, 2013, pursuant to which Beijing Nuopu Investment Management Co., Ltd. agreed to transfer to Star Target Investments Ltd. 5.30% of the equity interest in Beijing Phoenix United Hospital Management Co., Ltd. at a consideration of RMB26,476,555;

(t) an equity transfer agreement between Star Target Investments Ltd. and Beijing Dayao Guanghua Investment Consulting Co., Ltd. dated April 9, 2013, pursuant to which Beijing Dayao Guanghua Investment Consulting Co., Ltd. agreed to transfer to Star Target Investments Ltd. 3.06% of the equity interest in Beijing Phoenix United Hospital Management Co., Ltd. at a consideration of RMB15,281,770;

(u) an equity transfer agreement between Beijing Phoenix United Hospital Management Co., Ltd. and Beijing Phoenix Wantong Investment Management Co., Ltd. dated April 18, 2013, pursuant to which Beijing Phoenix United Hospital Management Co., Ltd. agreed to transfer to Beijing Phoenix Wantong Investment Management Co., Ltd. 10% of the equity interest in Beijing Jian Gong Hospital Co., Ltd. at a consideration of RMB42,055,260;

(v) an equity transfer agreement between Beijing Phoenix Wantong Investment Management Co., Ltd. and Phoenix Healthcare International Investment Limited dated June 3, 2013, pursuant to which Beijing Phoenix Wantong Investment Management Co., Ltd. agreed to transfer to Phoenix Healthcare International Investment Limited 40.58% of the equity interest in Beijing Phoenix United Hospital Management Consulting Co., Ltd. at a consideration of RMB202,749,995;

(w) an equity transfer agreement between Liu Xing and Phoenix Healthcare International Investment Limited dated June 3, 2013, pursuant to which Liu Xing agreed to transfer to Phoenix Healthcare International Investment Limited 25.95% of the equity interest in Beijing Phoenix United Hospital Management Consulting Co., Ltd. at a consideration of RMB129,646,272;

(x) an equity transfer agreement between Beijing Nuopu Investment Management Co., Ltd. and Phoenix Healthcare International Investment Limited dated June 3, 2013, pursuant to which Beijing Nuopu Investment Management Co., Ltd. agreed to transfer to Phoenix Healthcare International Investment Limited 3.45% of the equity interest in Beijing Phoenix United Hospital Management Consulting Co., Ltd. at a consideration of RMB17,236,415;

(y) a subscription agreement among Speed Key Limited, Xu Xiao Jie, the Company and Green Talent Investments Limited dated June 13, 2013, pursuant to which Green Talent Investments Limited agreed to subscribe the guaranteed exchangeable notes due 2014 of Speed Key Limited issued by Speed Key Limited for a principal amount in US$ equivalent of RMB150,000,000;

(z) a subscription agreement among Speed Key Limited, Xu Xiao Jie, the Company and Silvapower Investments Limited dated June 13, 2013, pursuant to which Silvapower Investments Limited agreed to subscribe the guaranteed exchangeable notes due 2014 of Speed Key Limited issued by Speed Key Limited for a principal amount in US$ equivalent of RMB84,848,485;

(aa) a subscription agreement among Speed Key Limited, Xu Xiao Jie, the Company and Vertex Asia Fund Pte. Ltd. dated June 13, 2013, pursuant to which Vertex Asia Fund Pte. Ltd. agreed to subscribe the guaranteed exchangeable notes due 2014 of Speed Key Limited issued by Speed Key Limited for a principal amount in US$ equivalent of RMB15,151,515;

(bb) a share redemption agreement between the Company and Green Talent Investments Limited dated June 13, 2013, pursuant to which the Company agreed to redeem the shares then held by Green Talent Investments Limited upon the occurrence of certain events in accordance with the terms of the agreement at the Redemption Price in consideration for the subscription of shares in the Company by Green Talent Investments Limited;

(cc) a share redemption agreement between the Company and Silvapower Investments Limited dated June 13, 2013, pursuant to which the Company agreed to redeem the shares then held by Silvapower Investments Limited upon the occurrence of certain events in accordance with the terms of the agreement at the Redemption Price in consideration for the subscription of shares in the Company by Silvapower Investments Limited;

(dd) a share redemption agreement between the Company and Vertex Asia Fund Pte. Ltd. dated June 13, 2013, pursuant to which the Company agreed to redeem the shares then held by Vertex Asia Fund Pte. Ltd. upon the occurrence of certain events in accordance with the terms of the agreement at the Redemption Price in consideration for the subscription of shares in the Company by Vertex Asia Fund Pte. Ltd.;

(ee) an amendment to share redemption agreement between the Company and Green Talent Investments Limited dated September 2, 2013, pursuant to which the Company and Green Talent Investments Limited agreed to amend the terms of the share redemption agreement between the Company and Green Talent Investments Limited dated June 13, 2013 (without amending the Redemption Price);

(ff) an amendment to share redemption agreement between the Company and Silvapower Investments Limited dated September 2, 2013, pursuant to which the Company and Silvapower Investments Limited agreed to amend the terms of the share redemption agreement between the Company and Silvapower Investments Limited dated June 13, 2013 (without amending the Redemption Price);

(gg) an amendment to share redemption agreement between the Company and Vertex Asia Fund Pte. Ltd. dated September 2, 2013, pursuant to which the Company and Vertex Asia Fund Pte. Ltd. agreed to amend the terms of the share redemption agreement between the Company and Vertex Asia Fund Pte. Ltd. dated June 13, 2013 (without amending the Redemption Price);

(hh) a shareholder loan agreement between the Company and Speed Key Limited dated August 2, 2013, in relation to a loan in the amount of US$40,470,767 provided by Speed Key Limited to the Company;

(ii) an equity transfer agreement between Beijing Phoenix Wantong Investment Management Co., Ltd. and Beijing Phoenix United Hospital Management Consulting Co., Ltd. dated August 20, 2013, pursuant to which Beijing Phoenix Wantong Investment Management Co., Ltd. agreed to transfer to Beijing Phoenix United Hospital Management Consulting Co., Ltd. 10% of the equity interest in Beijing Jian Gong Hospital Co., Ltd. at a consideration of RMB42,055,260; and

(jj) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

As of the Latest Practicable Date, our Group has registered/applied for the registration of the following intellectual property rights which we believe are material in relation to the Group's business.

(A) Trademarks

As of the Latest Practicable Date, our Group had registered the following trademarks which we believe are material in relation to the Group's business:

Registration Trademarks	Number	Class	Name of Trademark Owners	Place of Registration	Date of Registration
	6376447	43	Beijing Phoenix United Hospital Management Joint Stock Co., Ltd.*(Note 1)*	PRC	May 21, 2010
	3611370	44	Beijing Phoenix United Hospital Management Joint Stock Co., Ltd.*(Note 1)*	PRC	September 28, 2005
PHOENIX HEALTHCARE GROUP 凤凰医疗集团 PHOENIX HEALTHCARE GROUP 凤凰医疗集团	302583919	35, 44	Phoenix Healthcare Group Co. Ltd	Hong Kong	April 19, 2013

Note 1: Beijing Phoenix United Hospital Management Joint Stock Co., Ltd. was the former name of Beijing Phoenix. Beijing Phoenix is in the process of changing the name of trademark owner with the Trademark office of SAIC.

As of the Latest Practicable Date, our Group had applied for the registration of the following trademarks:

Trademarks	Application Number	Class	Name of Applicant	Place of Application	Date of Application
	12574769	5	Beijing Phoenix United Hospital Management Co., Ltd.(Note 2)	PRC	May 13, 2013
	12575109	10	Beijing Phoenix United Hospital Management Co., Ltd.(Note 2)	PRC	May 13, 2013
	12575179	35	Beijing Phoenix United Hospital Management Co., Ltd.(Note 2)	PRC	May 13, 2013
	12575284	37	Beijing Phoenix United Hospital Management Co., Ltd.(Note 2)	PRC	May 13, 2013
	12575359	44	Beijing Phoenix United Hospital Management Co., Ltd.(Note 2)	PRC	May 13, 2013
凤凰医疗	12575395	5	Beijing Phoenix United Hospital Management Co., Ltd.(Note 2)	PRC	May 13, 2013
凤凰医疗	12575518	10	Beijing Phoenix United Hospital Management Co., Ltd.(Note 2)	PRC	May 13, 2013
凤凰医疗	12575588	35	Beijing Phoenix United Hospital Management Co., Ltd.(Note 2)	PRC	May 13, 2013
凤凰医疗	12575652	37	Beijing Phoenix United Hospital Management Co., Ltd.(Note 2)	PRC	May 13, 2013

Trademarks	Application Number	Class	Name of Applicant	Place of Application	Date of Application
凤凰医疗	12575692	44	Beijing Phoenix United Hospital Management Co., Ltd.(Note 2)	PRC	May 13, 2013
PHOENIX HEALTHCARE	12575830	5	Beijing Phoenix United Hospital Management Co., Ltd.(Note 2)	PRC	May 13, 2013
PHOENIX HEALTHCARE	12575921	10	Beijing Phoenix United Hospital Management Co., Ltd.(Note 2)	PRC	May 13, 2013
PHOENIX HEALTHCARE	12576000	35	Beijing Phoenix United Hospital Management Co., Ltd.(Note 2)	PRC	May 13, 2013
PHOENIX HEALTHCARE	12576085	37	Beijing Phoenix United Hospital Management Co., Ltd.(Note 2)	PRC	May 13, 2013
PHOENIX HEALTHCARE	12576133	44	Beijing Phoenix United Hospital Management Co., Ltd.(Note 2)	PRC	May 13, 2013

Note 2: Beijing Phoenix United Hospital Management Co., Ltd. was the former name of Beijing Phoenix. Beijing Phoenix will apply to the Trademark Office of SAIC for changing the name of trademark applicant when appropriate.

(B) Domain Names

As at the Latest Practicable Date, our Group had registered the following domain names which we believe are material in relation to the Group's business:

Registrant	Domain Name	Date of Registration	Expiry Date
Beijing Phoenix United Hospital Management Consulting Co., Ltd.	phg.com.cn	May 31, 2002	June 30, 2014
Beijing Wanrong Yikang Medical Pharmaceutical Co., Ltd.	wrykyy.cn	November 19, 2008	November 19, 2013
Beijing Jian Gong Hospital Co., Ltd.	bjsjgyy.com	January 9, 2013	January 9, 2018

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT AND STAFF

1. Disclosure of Interests

Immediately following completion of the Global Offering (without taking into account Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), the interests of the Directors and Chief Executive of our Company in the equity or debt securities of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein once the Shares are listed, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange once the Shares are listed will be as follows):

Name of Director	Nature of interest	Relevant company	% of shares held in the relevant company	Approximate % of shares held by the relevant company in our Company
Ms. Xu Jie.	Family interest in corporate shareholder	Speed Key Limited *(Note 1)*	100	34.51
Mr. Liang Hongze	Interest in controlled corporation	Hyde International Investment Limited	40.42	7.76
Mr. Jiang Tianfan	Personal beneficial interest in corporate shareholder	Hyde International Investment Limited	16.68	7.76
Mr. Xu Zechang .	Personal beneficial interest in corporate shareholder	Hyde International Investment Limited	4.49	7.76
Mr. Zhang Liang.	Personal beneficial interest in corporate shareholder	Hyde International Investment Limited	5.13	7.76

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

Substantial shareholders

So far as our Directors are aware, immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will have or be 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:

Name	Capacity in which interests are held	Number of Shares	% of shareholding
Speed Key Limited	Beneficial Owner	277,360,000	34.51
Ms. Xu Xiaojie *(Note 1)*	Interest in a Controlled corporation	277,360,000	34.51
Senmart Investments Limited	Beneficial Owner	145,920,000	18.16
Mr. Zhu Zhiwei *(Note 2)*	Interest in a Controlled Corporation	179,120,000	22.29
Hyde International Investment Limited	Beneficial Owner	62,360,000	7.76
Mr. Liang Hongze *(Note 3)*	Interest in Controlled Corporation	62,360,000	7.76
Green Talent Investments Limited	Beneficial Owner	58,720,000	7.31
Greenwoods Bloom Fund, L.P. *(Note 4)*	Interest in Controlled Corporation	58,720,000	7.31

Note 1: Speed Key Limited is entirely owned by Ms. Xu Xiaojie, Daughter of Ms. Xu Jie.

Note 2: Mr. Zhu Zhiwei controls Senmart Investments Limited and Silvapower Investments Limited. Silvapower Investments Limited is our pre-IPO investor.

Note 3: Mr. Liang Hongze controls Hyde International Investment Limited.

Note 4: Greenwoods Bloom Fund, L.P. controls Green Talent Investments Limited.

2. Particulars of service contracts

Each of our executive Directors, has entered into a service contract with our Company on September 1, 2013 for a term of three (3) years commencing from September 1, 2013, subject to termination before expiry by either party giving not less than three months' notice in writing to the other. Under these service contracts, they shall not be entitled to remuneration and benefits as the executive Directors of the Company.

Each of our non-executive Director, has entered into a service contract with our Company on September 1, 2013. Each service contract is for an initial term of three (3) years commencing from September 1, 2013, unless terminated by either party giving at least three (3) months' notice in writing. Under the service contract with our non-executive Director, 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 (3) years and shall be terminable by giving the other party not less than three (3) 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 director's fee of HK$300,000, HK$300,000, HK$300,000 and HK$500,000 respectively.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than the statutory compensation).

3. Directors' remuneration

The aggregate salaries, allowances, discretionary bonuses and benefits in kind granted to our Directors by us and our subsidiaries were approximately RMB0.5 million, RMB3.3 million, RMB4.5 million and RMB2.9 million, respectively, for the three years ended December 31, 2012 and the six months ended June 30, 2013. Save as above, we have not paid any other Directors during the Track Record Period. Details of our Directors' remuneration are also set out in note 14 to the Accountants' Report in Appendix I to this prospectus.

It is estimated that remuneration and benefits in kind, excluding any discretionary bonus payable to the directors, that is equivalent to approximately RMB6.2 million in the aggregate will be paid and granted to our Directors by us in respect of the financial year ended December 31, 2013 under arrangements in force at the date of this prospectus.

4. Fees or commissions received

Save as disclosed in this prospectus, none of the directors or any of the persons whose names are listed in "F. Other Information — 8. Consents" in this Appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue of sale of any capital of any member of our Group from our Group within the two years preceding the date of this prospectus.

5. Related party transactions

During the two years preceding the date of this prospectus, we were engaged in related party transactions as described under note 39 of the Accountants' Report set out in Appendix I to this prospectus.

D. DISCLAIMERS

Save as disclosed in this prospectus:

- none of our Directors or chief executive of our Company has any interests and short positions in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to us and the Stock Exchange, in each case once our Shares are listed;

- none of our directors nor any of the parties listed in "F. Other Information — 8. Consents" in this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- none of our directors nor any of the parties listed in "F. Other Information — 8. Consents" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

- none of the persons whose names are listed in "F. Other Information — 8. Consents" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

- none of the Directors are interested in any business apart from any Group's business, which competes or is likely to compete, directly or indirectly, with the business of our Group.

E. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted pursuant to the written resolutions of the Shareholders passed on September 30, 2013:

1. Purpose of the Share Option Scheme

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. Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

The board of directors of our Company (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. Status of the Share Option Scheme

(a) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to and is conditional upon: (i) the passing of the necessary resolutions to adopt the Share Option Scheme by our Shareholders and the Board; (ii) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional (including, if relevant, following the waiver(s) of any conditions by the Joint Global Coordinators) (acting for and on behalf of the Underwriter) and not being terminated in accordance with their terms or otherwise; (iii) the Listing Committee approving the listing of and permission to deal in any Shares to be allotted and issued pursuant to the exercise of options under the Share Option Scheme; and (iv) the commencement of dealing in the shares on the Stock Exchange (the "Conditions").

(b) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period commencing on the date on which the Share Option Scheme was conditionally adopted by an ordinary resolution of the Shareholders of the Company and ending on the tenth anniversary of the Listing Date (both dates inclusive) (the "Scheme Period"), 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. Grant of options

(a) Making of offer

If the Board determines to offer an option to an Eligible Participant the Board shall forward to the relevant Eligible Participant an offer document in such form as the Board may from time to time determine which requires (or, alternatively, documents accompanying the offer document which requires) (the "Offer Document") the Eligible Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme (including any operational rules made under the Share Option Scheme). The offer shall remain open for acceptance 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 Scheme Period or after the termination of the Share Option Scheme. Unless otherwise determined by the Board and stated in the Offer Document, there shall be no general performance target for the vesting or exercise of options.

(b) Acceptance of an offer

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 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 set out in paragraph 4(a) above. 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.

(c) Restrictions on time of grant

(i) No grant of options shall be made after any insider information has come to the knowledge of the Company until such insider information has been announced pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period of one month immediately preceding the earlier of:

(1) the date of the Board meeting as shall have been notified to the Stock Exchange for the approval of our Company's results for any year, half-year or quarterly or any other interim period (whether or not required under the Listing Rules); and

(2) the deadline for our Company to publish an announcement of its results for any year or half-year under the Listing Rules or quarterly or other interim period (whether or not required under the Listing Rules),

and ending on the actual date of the results announcement for such year, half year, quarterly or interim period (as the case may be). The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(ii) For so long as the shares are listed on the Stock Exchange:

(1) no options shall be granted to any Director during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(2) no options shall be granted to any Director during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(d) Grant to connected persons

Any grant of options to a connected person must be approved by all the independent non-executive directors (excluding any independent non-executive director who is also a proposed Grantee of the options, the vote of such independent non-executive director shall not be counted for the purposes of approving the grant).

(e) Grant to substantial shareholders and independent non-executive directors

Without prejudice to paragraph 4(d) above, any grant of options to a substantial shareholder or an independent non-executive director of our Company or any of their respective associates shall be subject to, in addition to the approval of the independent non-executive Directors of the Company, the issue of a circular by the Company to its Shareholders and the approval of the Shareholders of the Company in general meeting if the shares issued and to be issued upon exercise of all options already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) in the 12 month period up to and including the Offer Date:

(i) would represent in aggregate more than 0.1 per cent, or such other percentage as may from time to time be provided under the Listing Rules, of the Shares in issue on the Offer Date; and

(ii) would have an aggregate value, based on the official closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange at the date of each grant, in excess of HK$5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

(f) Proceedings in general meeting to approve the grant of option

At the general meeting to approve the proposed grant of options under paragraph (d), all connected persons of our Company must abstain from voting. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the Articles and the relevant provisions of the Listing Rules.

(g) Performance target

Our Board has the discretion to require a particular Grantee to achieve certain performance targets specified at the time of grant before any option granted under the Share Option Scheme can be exercised. There are no specific performance targets stipulated under the terms of the Share Option Scheme and our Board currently has no intention to set any specific performance targets on the exercise of any options granted or to be granted under the Share Option Scheme.

5. Exercise price

The price per Share at which a Grantee may subscribe for Shares upon exercise of an option (the "Exercise Price") shall, subject to any adjustment pursuant to paragraph 7 below, 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 a Share;

except that for the purposes of calculating the Exercise Price under paragraph 5(ii) above for an option offered within five Business Days of the Listing Date, the price *at* which the Shares are to be offered for subscription pursuant to the Global Offering shall be used as the closing price for any Business Day falling within the period before the Listing Date.

6. Maximum number of Shares available for subscription

(a) Scheme Limit

Subject to sub-paragraphs 6(b) and 6(c) below, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised) ("Scheme Limit") which is expected to be 80,362,700 Shares. For the purpose of calculating the Scheme Limit, options which have lapsed in accordance with the terms of the relevant scheme shall not be counted.

(b) Renewal of Scheme Limit

Our Company may seek approval by our Shareholders in general meeting for renewing the Scheme Limit provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes of our Company under the Scheme Limit as renewed must not exceed 10% of the total number of Shares in issue as at the date of the shareholders' approval. Options previously granted under the Share Option Scheme, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted for the purpose of calculating the limit as renewed.

For the purpose of seeking the approval of our Shareholders under this sub-paragraph 6(b), a circular containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules must be sent to our Shareholders.

(c) Grant of Options beyond Scheme Limit

Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the Scheme Limit provided that the options in excess of the Scheme Limit are granted only to Eligible Participants who are specifically identified before such approval is sought.

For the purpose of seeking the approval of our Shareholders under this sub-paragraph (6)(c), our Company must send a circular to our Shareholders containing a generic description of the specified Grantees who may be granted such options, the number and terms of the options to be granted, the purpose of granting such options to the Grantees with an explanation as to how the terms of options serve such purpose and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer as required under Rule 17.02(4) of the Listing Rules.

(d) Maximum number of Shares issued pursuant to Options

Notwithstanding anything to the contrary in the Share Option Scheme, the maximum limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company must not exceed such number of Shares as shall represent 30% of the Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

(e) Grantee's maximum holding

Unless approved by our Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any Grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that Grantee on exercise of his options during any 12 month period up to the offer date exceeding 1% of the total Shares then in issue.

Where any further grant of options to a Grantee, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such Grantee (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant exceeding 1% of the total number of Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Grantee and his associates abstaining from voting. Our Company must send a circular to our Shareholders and the circular must disclose the identity of the Grantee, the number and terms of the options to be granted and options previously granted to such Grantee and the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules. The number and terms (including the Exercise Price) of the options to be granted to such Participant must be fixed before the Shareholders' approval. The date of the meeting of the Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the Exercise Price.

(f) Adjustment

The number of Shares subject to the options and to the Share Option Scheme shall be adjusted in such manner as our Company's independent financial advisor shall certify to the Board to be appropriate, fair and reasonable in accordance with sub-paragraph 7(b) below but in any event shall not result in the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and the other schemes exceeding 30 per cent.

7. Capital restructuring

(a) Adjustment of options

In the event of any capitalization issue, rights issue, open offer (if there is a price dilutive element), sub-division, consolidation of Shares, or reduction of capital of the Company in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made (except on an issue of securities of the Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment) in:

(i) the number of Shares subject to any outstanding option;

(ii) the Exercise Price; and/or

(iii) the number of Shares subject to the Share Option Scheme;

as the approved independent financial adviser shall at the request of the Company or any Grantee, certify in writing either generally or as regards any particular grantee, to be in their opinion fair and reasonable provided that any such alterations shall be made on the basis that a Grantee shall have the same proportion of the equity capital of the Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all the issuers relating to share option schemes) as that to which the Grantee was previously entitled to subscribe had he exercised all the options held by him immediately before such adjustments and the aggregate Exercise Price payable by a Grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event, but not so that the effect would be to enable any Share to be issued to a Grantee at less than its nominal value, provided that no adjustment to the Exercise Price and number of Shares should be made to the advantage of the Eligible Participants without specific prior approval of our Shareholders.

(b) Independent financial advisor confirmation

On any capital reorganization other than a capitalization issue, independent financial advisor shall certify in writing to the Board that the adjustments satisfy the requirements set out in Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes and/or such other requirement prescribed under the Listing Rules from time to time.

8. Cancellation of options

Any cancellation of options granted but not exercised must be approved in writing by the Grantees of the relevant options. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph 9. Where the Company cancels options, the grant of new options to the same Grantee may only be made under the Share Option Scheme within the limits set out in paragraphs 6(a) and 6(e).

9. Assignment of options

An option is personal to the Grantee and shall not be transferable or assignable. No Grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt to do so (except that the Grantee may nominate a nominee, in whose name the Shares issued pursuant to the Share Option Scheme may be registered).

10. Rights attached to the Shares

The Shares to be allotted upon exercise of an option will be subject to all the provisions of our Articles and will rank *pari passu* with the fully paid Shares in issue on the date of issue. Accordingly the Shares will entitle the holders to participate in all dividends or other distributions paid or made on or after the Registration Date other than any dividends or other distributions previously declared or recommended or resolved to be paid or made with respect to a record date which is before the Registration Date.

A Share issued upon the exercise of an option shall not carry any voting rights until the registration of the Grantee or his nominee as the holder of the Share on the register of members of our Company.

Shares issued on the exercise of an option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

11. Exercise of options

(a) General

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.

(b) Rights on a takeover

In the event of a general offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner, is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use its best endeavors to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the option granted to them, our Shareholders. If such offer becomes or is declared unconditional, the Grantee (or his legal representative(s)) shall be entitled to exercise the option (to the extent not already exercised) to its full extent at any time within 14 days following the date on which the offer becomes or is declared unconditional.

(c) Rights on a voluntary winding up

In the event a notice is given by our Company to our Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each of our Shareholders give notice to all Grantees. Upon receipt of such notice, each Grantee (or where permitted, his or her legal personal representative(s)) shall be entitled to exercise all or any of the option at any time not later than two (2) business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of which the notice is given. Upon receipt of such notice together with the remittance by our Company, our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the Grantee credited as fully paid.

(d) Rights on a compromise or arrangement

If a compromise or arrangement between our Company and our Shareholders and/or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice (together with a notice of the existence of the provisions of this paragraph) to all the Grantees on the same day as it gives notice of the meeting to its shareholders and/or creditors to consider the compromise or arrangement. Upon receipt of the notice, the Grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to twelve (12) noon (Hong Kong time) on the Business Day immediately preceding the date of meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there is more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective all options shall, to the extent that they have not been exercised lapse and determine. The Board shall endeavor to procure that the Shares issued as a result of the exercise of options in such circumstances shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court) the rights of the Grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension.

12. Lapse of options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the expiry of the Option Period;

(ii) the expiry of the periods referred to in sub-paragraphs 11(b) to (d) above;

(iii) the date of the commencement of the winding-up of our Company in respect of the situation contemplated in sub-paragraph 11(c);

(iv) the date the scheme or compromise referred to in sub-paragraph 11(d) above becomes effective;

(v) the date that is thirty (30) days after the date on which a Grantee is terminated by the Company and/or any of its subsidiaries by reasons other than termination of employment on grounds under sub-paragraph 12(vi) and 12 (vii) below;

(vi) the date on which the Board or board of the relevant member of our Group resolves that a Grantee ceases to be an Eligible Participant by reason of his resignation on dismissal, or by reason of the termination of his relationship with the Company and/or any of its subsidiaries on any one or more of the following grounds:

(a) that he has been guilty of serious misconduct; or

(b) that he has been convicted of a criminal offense involving his integrity or honesty;

(vii) the date on which the Board resolves that a Grantee ceases to be qualified as an Eligible Participant on any other grounds on which an employer would be entitled to unilaterally terminate his employment or service at common law or pursuant to any applicable laws or under the Grantee's service contract with the Company or the relevant subsidiaries;

(viii) the date on which a Grantee commits a breach of paragraph 9 above or the options are cancelled in accordance with paragraph 8 above;

(ix) the occurrence of such event or expiry of such period as may have been specifically provided for in the Offer Document, if any.

13. Amendment of the Share Option Scheme

(a) Amendments requiring Board approval

Any amendment to the Share Option Scheme other than those set out in subparagraph 13(b) below must be approved by the majority of the Board.

(b) Amendments requiring shareholder approval

Subject to sub-paragraphs 13(c) and (d), the following matters require the prior sanction of a resolution of the Shareholders in general meeting:

(i) any change to the provisions relating to:

(1) the purpose, duration and control of the Share Option Scheme;

(2) the definitions of "Grantee", "Option Period", "Eligible Participant" and "Expiry date" contained in the Share Option Scheme;

(3) the provisions relating the Scheme Period, the basis of eligibility for options, the making of offer, the contents of Offer Document, the acceptance of an option, the Exercise Price, the granting of options to connected persons, substantial shareholders and independent non-executive directors, the exercise of options, the lapse of options, the maximum number of shares available for subscription, cancellation of options, reorganization of capital structure and termination of the Share Option Scheme; which operates to the advantage of Eligible Participants or Grantees;

(ii) any amendment to the terms and conditions of the Share Option Scheme which are of a material nature except where such amendment takes effect automatically under the existing terms of the Share Option Scheme; and

(iii) any amendment to the terms of options granted except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

(c) Amendments requiring the super majority consent from the Grantees

Notwithstanding any approval obtained pursuant to sub-paragraphs 13(b) above, no amendment shall operate to adversely affect the terms of issue of any option granted or agreed to be granted prior to such amendment except with the consent or sanction in writing of such number of Grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares which would fall to be issued upon the exercise of all options outstanding on that date or the sanction of a special resolution, except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

14. Termination

Our Company may at any time terminate the operation of the Share Option Scheme by resolution of the Board or resolution of the shareholders in general meeting and in such event no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects to the extent necessary to give effect to the exercise of the options (to the extent not already exercised) granted prior to the termination or otherwise or may be required in accordance with the provisions of the Share Option Scheme. All options granted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

As of the Latest Practicable Date, no option has been granted by our Company under the Share Option Scheme.

F. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, BVI, the PRC and other jurisdictions in which the companies comprising our Group are incorporated.

2. Deed of indemnity

Each of our Controlling Shareholders (together, the "Indemnifiers") has entered into a deed of indemnity in favor of our Group in as at the date of this prospectus to provide the following indemnities in favor of our Group.

Tax indemnities

Under the deed of indemnity, amongst others, the Indemnifiers will jointly and severally indemnify the Company and each of the members of our Group against:

(a) any taxation falling on our Group relating to any estate duty in any part of the world on or before the Listing Date;

(b) any taxation falling on our Group resulting from or by reference to, inter alia, any income received on or before the Listing Date;

(c) all reasonable costs which our Group may properly incur in connection with any taxation claim against our Group; and

(d) any taxation arising out of any additional assessments by any fiscal authorities in relation to the tax years beginning January 1, 2010 and ending on the Listing Date;

The indemnity will not cover any taxation claim, to the extent that, inter alia:

(a) full provision or allowance has been made for such taxation in the audited accounts of the Group up to June 30, 2013;

(b) subject to (a) above, such taxation arises as a result of any retrospective change in law or increase in tax rates coming into force after the Listing Date;

(c) the liability for such taxation that is caused by our Group in the ordinary course of business;

(d) any provision or reserve made for such taxation in the audited accounts of our Group up to June 30, 2013, which is finally established to be an over-provision or an excessive reserve.

Non compliance with and/or breach of laws, rules and regulations

The Indemnifiers will jointly and severally indemnify the Company and each of the members of our Group, inter alia, against any claims, actions, losses, liabilities, costs incurred by our Group as a result of any non-compliance with the applicable laws, rules and regulations by our Group on or before the Listing Date.

The above indemnity does not apply to a liability arising out of any retrospective change in the law coming into force after Listing Date.

PRC owned properties

The Indemnifiers will jointly and severally indemnify the Company and each of the members of our Group, inter alia, against any loss/penalty in respect of any non-availability of the real estate ownership certificates from the relevant competent governmental authorities in the PRC, in relation to the failure to obtain any relevant permits in respect of the properties owned and occupied by our Group in the PRC as set out in the Property Valuation Report in Appendix III to the prospectus, "— Risk Factors — Risk Factors Related to Our Business and Industry — We have not obtained title and have not registered lease agreements with respect to some of the properties we use to operate our business." and "— Business — Our Properties" of this prospectus.

The above indemnity does not apply to a liability arising as a result of any retrospective change in the law coming into force after the Listing Date.

PRC leased properties

The Indemnifiers will jointly and severally indemnify the Company and each of the members of our Group, inter alia, against any loss/penalty in respect of the non-availability of the land use rights certificates and real estate title certificates from the relevant competent governmental authorities in the PRC for properties rented and occupied by our Group in the PRC as referred to in "— Risk Factors — Risk Factors Related to Our Business and Industry — We have not obtained title and have not registered lease agreements with respect to some of the properties we use to operate our business." and "— Business — Our Properties" of this prospectus.

The above indemnity does not cover, inter alia, any such claims, losses and costs which arise after the Listing Date.

3. Litigation

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings pending or threatened against us or any of our directors that could have a material adverse effect on our financial condition or results of operation.

4. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as set out in this prospectus. Each of the Joint Sponsors have confirmed to the Stock Exchange that they are independent from the Company and satisfy Rule 3A.07 of the Listing Rules. Each of the Joint Sponsors are entitled to sponsors' fee in the amount of US$500,000 or, if translated into Hong Kong dollars using the rate of US$1.00 to HK$7.75 for illustration, HK$3,875,000.

5. Preliminary expenses

Our estimated preliminary expenses are approximately US$6,753.55 and have been paid by our Company.

6. Promoter

The Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

7. Qualifications of experts

The qualifications of the experts (as defined under the Listing Rules and the Hong Kong Companies Ordinance) who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
Deutsche Securities Asia Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities under the SFO, acting as one of the Joint Sponsors of the Global Offering
Goldman Sachs (Asia) L.L.C.	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) and Type 9 (asset management) of the regulated activities under the SFO, acting as one of the Joint Sponsors of the Global Offering
Deloitte Touche Tohmatsu	Certified public accountants
Frost & Sullivan	Industry expert
Harney Westwood & Riegels	Cayman Islands legal adviser
Commerce & Finance	PRC legal adviser
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property Valuer

8. Consents

Each of the experts has given and has not withdrawn its respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or valuation certificates and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Hong Kong Companies Ordinance so far as applicable.

10. Compliance Adviser

Our Company will appoint Guotai Junan Capital Limited as our compliance adviser upon Listing in compliance with Rule 3A.19 of the Listing Rules.

11. Shares will be eligible for CCASS

We have applied to the Listing Committee of the Stock Exchange for the granting of the listing of, and permission to deal in, our Shares (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options to be granted under the Share Option Scheme).

All necessary arrangements have been made enabling our Shares to be admitted into the Central Clearing and Settlement System, or CCASS, established and operated by the Hong Kong Securities Clearing Company Limited, or HKSCC.

12. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Hong Kong Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice 2001.

13. Miscellaneous

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(a) no share or loan capital or debentures of the Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries; and

(d) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in the Company or any of its subsidiaries.

Save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in the Company or any of its subsidiaries and no amount or benefit had been paid or given within the two immediately preceding years or is intended to be paid or given to any promoter.

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since June 30, 2013 (being the date to which the latest audited consolidated financial statements of the Group were made up).

There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.

There is no arrangement under which future dividends are waived or agreed to be waived.

The register of members of the Company will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited. Unless otherwise approved by the Directors, all documents evidencing transfer of title to Shares must be lodged for registration with and registered by the Company's share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS.

The Company has not engaged any financial adviser in connection with the Global Offering.

We do not have any selling shareholder in connection with our Global Offering.

No company within the Group is presently listed on any stock exchange or traded on any trading system.

The Directors have been advised that, under the Companies Law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by the Company in conjunction with its English name does not contravene the Companies Law.

The English text of this prospectus shall prevail over the Chinese text.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE**, **YELLOW** and **GREEN** application forms; (ii) copies of each of the material contracts referred to in "Statutory and General Information — B. Further information about our business — 1. Summary of material contracts" in Appendix V to this prospectus; (iii) the written consents referred to in "Statutory and General Information — F. Other Information — 8. Consents" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Brandt Chan & Partners in association with SNR Denton HK LLP at 3201, Jardine House, 1 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus.

(a) our memorandum of Association and Articles of Association;

(b) the Accountant's Report prepared by Deloitte Touche Tohmatsu, the texts of which are set out in Appendix I to this prospectus and the audited financial statements of companies comprising the Group during the Track Record Period, where applicable;

(c) the audited consolidated financial statements of Beijing Phoenix for the period from the year ended December 31, 2010, the year ended December 31, 2011 and the year ended December 31, 2012 and the six months ended June 30, 2013;

(d) the report in relation to unaudited pro forma financial information, the texts of which are set out in Appendix II to this prospectus;

(e) the letters, summary of values and valuation certificates relating to our property interests prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the texts of which are set out in Appendix III to this prospectus and the valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited in English;

(f) the letter prepared by Harney Westwood & Riegels, our legal adviser on the Cayman Islands laws, summarizing the constitution of our Company and certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;

(g) the material contracts referred to in "Statutory and General Information — B. Further information about our business — 1. Summary of material contracts" in Appendix V to this prospectus;

(h) the service agreements or letters of appointment (as the case may be) referred to in "Statutory and General Information — C. Further Information About Our Directors, Management and Staff — 2. Particulars of service contracts" in Appendix V to this prospectus; and

(i) the written consents referred to in "Statutory and General Information — F. Other Information — 8. Consents" in Appendix V to this prospectus; and

(j) the rules of the Share Option Scheme; and

(k) the Cayman Islands Companies Law.

PHOENIX
HEALTHCARE
GROUP
凤凰医疗集团

Phoenix Healthcare Group Co. Ltd
鳳凰醫療集團有限公司
(Incorporated in the Cayman Islands with limited liability)