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.