
INDUSTRY OVERVIEW

This and other sections of this prospectus contain information and statistics relating to our industry and related industry sectors, some of which has been derived from official governmental and other industry sources, as well as from the Frost & Sullivan Report. We believe that the sources of this information and statistics are appropriate sources for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information or statistics is false or misleading or that any fact has been omitted that would render such information or statistics false or misleading. Such information and statistics have not been independently verified by us, the Option Grantor, the Sole Global Coordinator, the Joint Bookrunners, the Sole Sponsor, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. Accordingly, you should not place undue reliance on such information or statistics.

OVERVIEW OF THE PRC HEALTHCARE MARKET

Our business operates in the large and rapidly growing healthcare industry in China. The healthcare industry in China is supported by a number of favourable socioeconomic factors such as China's economic growth and increasing disposable income, population growth and increased life expectancy, rising health consciousness and spending on healthcare, and PRC government support and healthcare reform plans.

PRIMARY GROWTH DRIVERS OF THE HEALTHCARE INDUSTRY IN CHINA

Economic Growth and Increasing Disposable Income

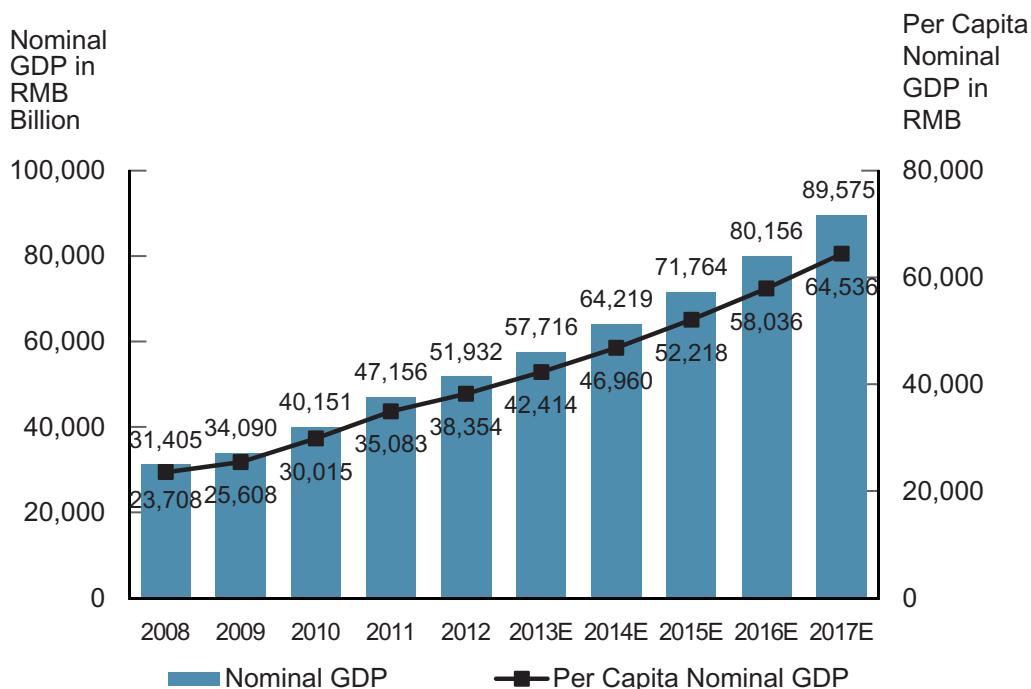
The PRC economy is one of the world's fastest growing economies. According to data from the China National Bureau of Statistics and the Frost & Sullivan Report, the nominal GDP of China increased from RMB31,405 billion in 2008 to RMB51,932 billion in 2012, representing a CAGR of 13.4% and an annual growth of 10.1% in 2012. According to the Frost & Sullivan Report, the nominal GDP of China is expected to grow at a CAGR of 11.6% from RMB57,716 billion in 2013 to RMB89,575 billion in 2017.

From 2008 to 2012, the per capita nominal GDP of China also increased from approximately RMB23,708 to approximately RMB38,354, representing a CAGR of 12.8%. According to the Frost & Sullivan Report, the per capita nominal GDP of China is expected to grow at a CAGR of 11.1% from RMB42,414 in 2013 to RMB64,536 in 2017.

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The following chart illustrates the historical and forecast growth of China's GDP for the periods indicated:

China Nominal GDP and Per Capita Nominal GDP



Source: National Bureau of Statistics, Frost & Sullivan

In addition to GDP growth, China is experiencing a growth in disposable income. According to data from the National Bureau of Statistics and the Frost & Sullivan Report, the average per capita annual disposable income of China's urban residents increased from approximately RMB15,781 in 2008 to RMB24,565 in 2012, representing a CAGR of approximately 11.7%. The average per capita annual disposable income of China's urban residents is expected to grow at a CAGR of 13.6% from RMB28,100 in 2013 to RMB46,815 in 2017. For rural households, average per capita annual net income increased from approximately RMB4,761 in 2008 to RMB7,917 in 2012, representing a CAGR of approximately 13.6%. The average per capita annual net income of China's rural households is expected to grow at a CAGR of 14.7% from RMB9,132 in 2013 to RMB15,824 in 2017.

Population Growth and Increased Life Expectancy

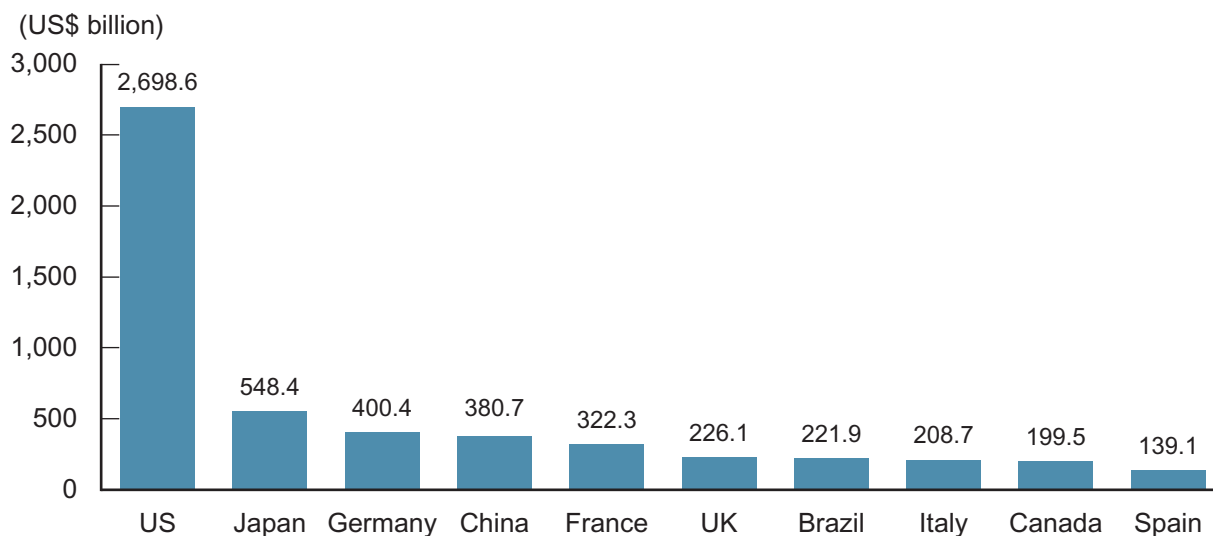
The growth of China's population is expected to drive demand for healthcare in China. According to data from the National Bureau of Statistics, the population in China has increased from approximately 1.31 billion people in 2005 to approximately 1.35 billion people in 2011. The proportion of the elderly people aged 65 or above in China has increased from 7.7% in 2005, or approximately 100.6 million people, to 9.1%, or approximately 122.9 million people, in 2011. Rising life expectancy is also expected to contribute to the growth of China's elderly population, both as an absolute number and as a percentage of the total population. We believe that the ageing population in China will drive healthcare spending and consequently drive the growth of the PRC healthcare industry.

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Rising Health Consciousness and Spending on Healthcare

According to the Frost & Sullivan Report, China ranked fourth globally in terms of total healthcare expenditures in 2011. The following chart sets forth the total healthcare expenditures of the 10 largest healthcare markets in 2011.

Total Healthcare Expenditure in 2011



Source: Frost & Sullivan

With one-fifth of the world's population, China's per capita healthcare expenditure, despite growing at a CAGR of 26.3% from 2008 to 2011, remains relatively low. China's per capita healthcare expenditure was US\$284 in 2011, the lowest among the 10 largest markets. The following table sets forth per capita healthcare expenditure information for the 10 largest healthcare markets in the world.

Healthcare Expenditure Information

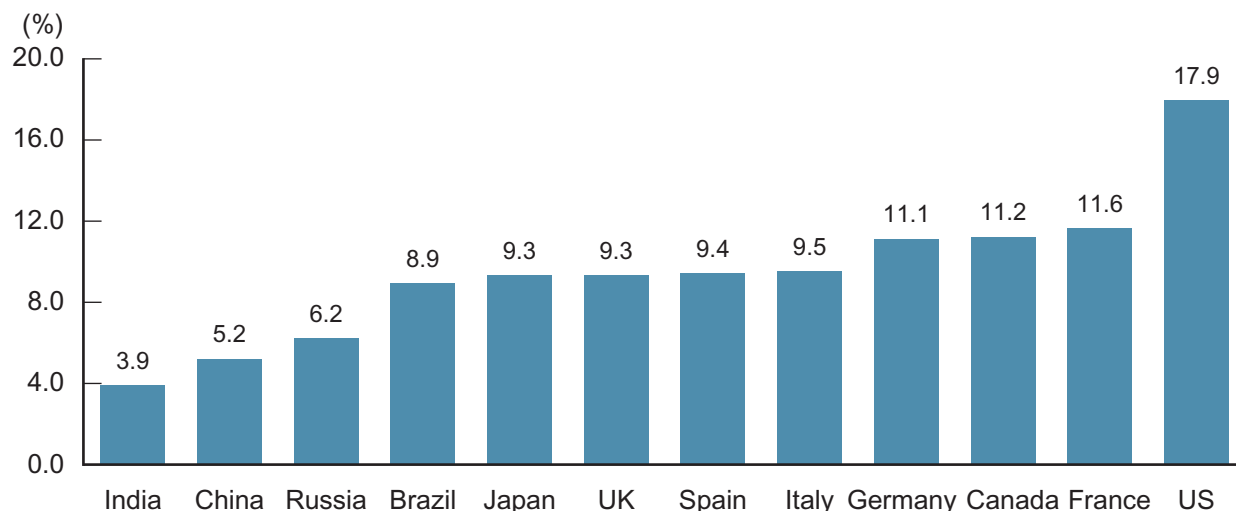
	<u>Total</u>	<u>Per capita</u>		<u>CAGR (2008-2011)</u>
	<u>2011</u>	<u>2008</u>	<u>2011</u>	
	(US\$bn)	(US\$)	(US\$)	(%)
US	2,698.6	7,503	8,627	4.8
Japan	548.4	3,161	4,291	10.7
Germany	400.4	4,865	4,895	0.2
China	380.7	141	284	26.3
France	322.3	5,541	4,958	(3.6)
UK	226.1	4,034	3,630	(3.5)
Brazil	221.9	768	1,163	14.8
Italy	208.7	3,598	3,437	(1.5)
Canada	199.5	4,760	5,782	6.7
Spain	139.1	3,768	3,010	(7.2)

Source: Frost & Sullivan

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China's total healthcare expenditure accounted for approximately 5.2% of its GDP in 2011, compared to 11.6% for France and 17.9% for the United States. The following chart sets forth the total healthcare expenditure as a percentage of GDP of selected countries in 2011:

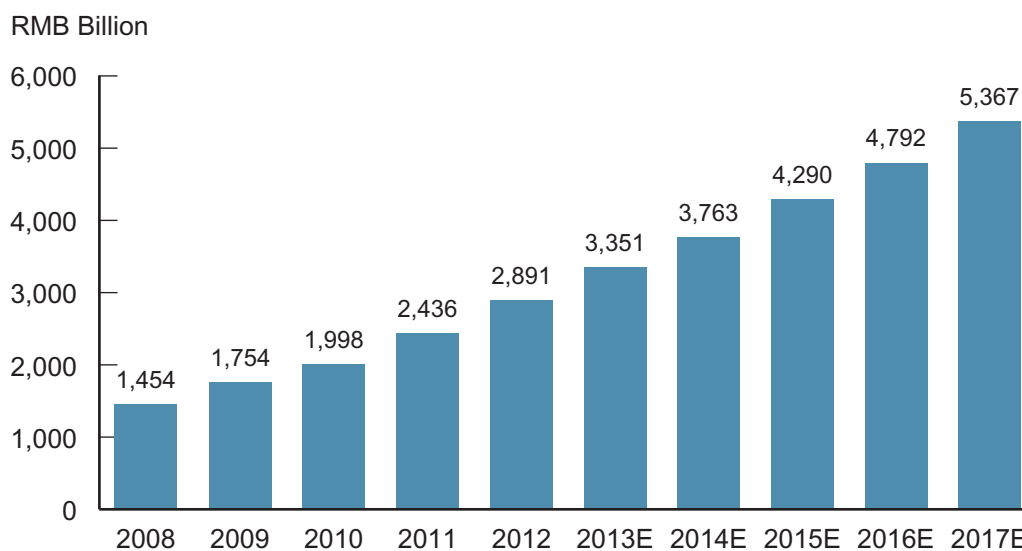
Healthcare Expenditure as a Percentage of GDP in 2011



Source: Frost & Sullivan

Healthcare expenditure in China has experienced significant growth, increasing from RMB1,454 billion in 2008 to RMB2,891 billion in 2012, representing a CAGR of 18.8%. We believe that China's total healthcare expenditure will continue to increase rapidly as a result of a combination of favourable factors, including the fast-growing economy of China, increasing disposable income and health awareness, ageing population, increased life expectancy and PRC government support. According to the Frost & Sullivan Report, total healthcare expenditure in China will grow at a CAGR of 12.5% from 2013 to 2017, and reach RMB5,367 billion in 2017.

Total Healthcare Expenditure in China



Source: Frost & Sullivan

Government Support and the Healthcare Reform Plans

In October 2008, the PRC government initiated a new healthcare reform plan to increase availability and lower the cost of healthcare services for PRC citizens. On 17 March 2009, the PRC government issued the Opinion 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》). Subsequently, the PRC government released the Implementation Plan for the Recent Priorities of the Healthcare System Reform (2009–2011) (《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)的通知》). The goal of the healthcare reform plan is to establish a basic, universal healthcare framework to provide Chinese citizens with safe, efficient, convenient and affordable healthcare services.

To fulfil the above healthcare reform plan, new funding for the healthcare industry was estimated to be RMB850.0 billion, of which RMB331.8 billion is to be subsidised directly by the PRC central government. In August 2012, the Ministry of Finance announced that the actual spending between 2009 and 2011 for these healthcare reform plans amounted to RMB1,522.8 billion, of which RMB450.6 billion was subsidised directly by the PRC central government. The reform plan aims to establish the following five fundamental healthcare systems in China:

- *The public health services system*, which is a complementary medical service system fully funded by the PRC government.
- *The public medical insurance system* that covers drugs and medical treatments for the majority of the population.
- *The basic healthcare security system* to build additional healthcare facilities and to improve the training of healthcare professionals in China.
- *The drug supply system* to regulate the pricing of drugs and how drugs will be procured, prescribed and dispensed in healthcare institutions.
- *The public hospitals reforms* to build additional hospitals in rural areas, upgrade existing hospitals and further support for public hospitals.

According to the Implementation Plan for the Recent Priorities of the Healthcare System Reform (2009-2011), to implement the series of programmes outlined in the healthcare reform plan, two-thirds of the estimated funding of RMB850.0 billion was to be used for healthcare service users and the rest was to be used for healthcare service providers.

As part of the ongoing reform, in August 2012, the PRC Ministry of Health released a new report with an updated plan called “Healthy China 2020”, which is designed specifically to provide a strategic reform roadmap for the PRC healthcare industry. The “Healthy China 2020” report sets forth 10 specific targets to be achieved before 2020:

- Further improvement in the key health indicators for the PRC population, so that by 2020 the average life expectancy of the PRC population reaches 77 years, the mortality rate of children less than five years old is below 1.3%, and the mortality rate for women during pregnancy is less than 0.02%. In addition, the report calls for the gap in health conditions among people living in regions in the PRC to be further narrowed.
- Improvement in the healthcare system to increase the standards and accessibility of healthcare services.

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- Enhancement of the medical insurance system and reduction of the economic burden of treatment for health problems.
- Better management of health risks and effective control, reduction or elimination of the spread of chronic diseases and health hazards.
- Strengthen the control of infectious and endemic diseases, and reduce the hazards of infectious diseases.
- Strengthen monitoring and supervision measures to ensure the safety of food and drugs.
- Leverage on advancements and adapt to developments in medical science.
- Shift focus from the diagnosis and treatment of diseases to the prevention of diseases.
- Encourage the further development of innovative Traditional Chinese Medicine to enhance its influence in China's healthcare market.
- Further develop the healthcare industry to satisfy the diverse demands for healthcare services from various segments of the population.
- Continue to fulfil the government's responsibilities and further increase investments in the healthcare industry, so that by 2020, healthcare expenditure should account for up to 6.5% – 7.0% of the total GDP of the PRC to ensure the strategic targets established under "Healthy China 2020" can be realised.

The key measures mentioned in the "Healthy China 2020" strategy report to promote the development of the PRC healthcare industry include the following:

- Shifting the focus of healthcare services from the diagnosis and treatment of diseases to the prevention of diseases and the integration of diseases prevention and treatment services.
- Establishing a fiscal spending policy and system for healthcare that is appropriate for the level of national economic and social developments and lowering the percentage of per capita spending on healthcare services to per capita income to less than 30% through increased government investments and social planning.
- Continuing to improve the medical insurance system and further enhance insurance policies by increasing the compensation ratio under the basic medical insurance system; and continue to integrate the medical insurance systems in urban and rural areas by integrating the management of these systems.
- Encouraging the development of Traditional Chinese Medicine products by further promoting innovation within this industry.
- Actively promoting international exchange of ideas and collaborations.

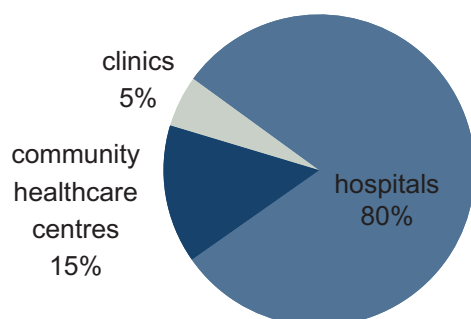
HIERARCHICAL SYSTEM OF CHINESE HOSPITALS

China's healthcare providers include hospitals, community healthcare centers, and a large number of small clinics, among which hospitals play the most important role.

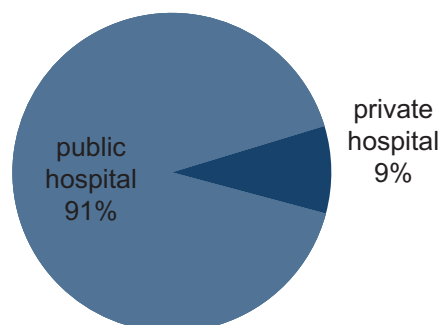
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China has a total of about 23,170 hospitals in 2012. China's hospitals are mainly classified as public hospitals and private hospitals. Public hospitals, which are owned and operated by the government, dominate China's hospital industry, accounting for 57.8% of the number of total hospitals in 2012 and 91% of the hospital revenue in 2011.

Market share breakdown of China's healthcare providers by revenue in 2011



Market share breakdown of China's hospitals by revenue in 2011



Source: NHFPC, Frost & Sullivan analysis

Hospitals are classified under an MOH-administered hospital classification system into three classes based upon a number of factors, including reputation, the number of doctors and nurses, total number of in-patient beds, equipment and expertise. The best and largest hospitals are designated as Class III hospitals, and the second and third tiers as Class II hospitals and Class I hospitals, respectively. According to the MOH, as at 31 December 2012, hospitals in China included approximately 1,624 Class III hospitals, approximately 6,566 Class II hospitals and approximately 5,962 Class I hospitals, and the rest were non-classified.

Class I hospitals generally are primary care hospitals and healthcare centres that target the local community to provide preventive care and recovery care. During the current health reform, a number of Class I hospitals have reoriented to urban community health service centres or rural healthcare centres. Class II hospitals target several communities or one district/county to provide comprehensive medical services and undertake some teaching and research projects. Class III hospitals target one or more provinces and metropolises to provide the highest level of specialised medical services and undertake teaching and research projects.

PHARMACEUTICAL MARKET IN CHINA

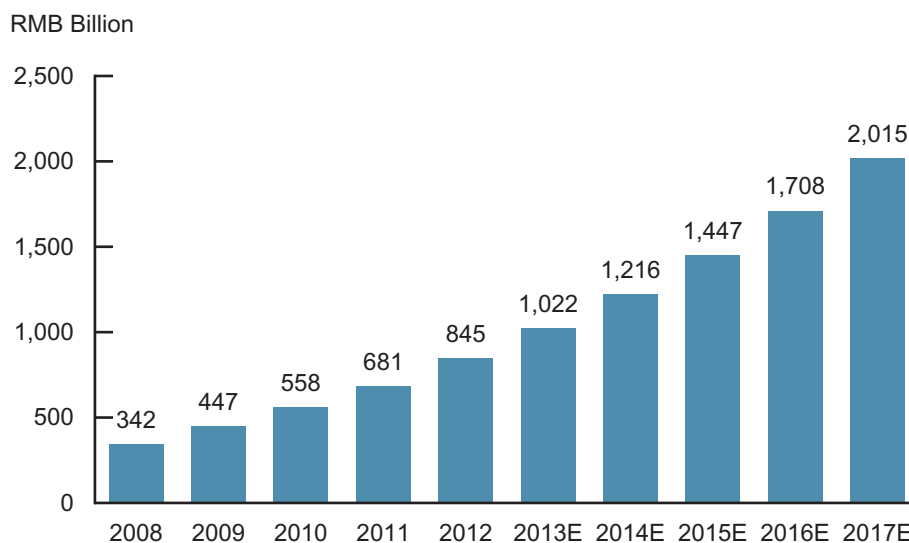
Market Size and Growth Rate of the Chinese Pharmaceutical Market

The Chinese pharmaceutical market has grown rapidly in recent years due to the favourable macro environment in terms of GDP growth, increase in healthcare expenditure in China and ageing population in China. According to the Frost & Sullivan Report, the Chinese pharmaceutical market grew from RMB342.1 billion in 2008 to RMB844.7 billion in 2012, representing a CAGR of 25.4%. It is estimated that the market will grow to RMB2,015 billion in 2017, representing a CAGR of 18.5% from 2013 to 2017.

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The following chart illustrates the historical and forecast market size of the pharmaceutical market in China for the periods indicated:

China Pharmaceutical Market Size



Source: Chinese Pharmaceutical Association, Chinese Association of Pharmaceutical Commerce, Frost & Sullivan analysis

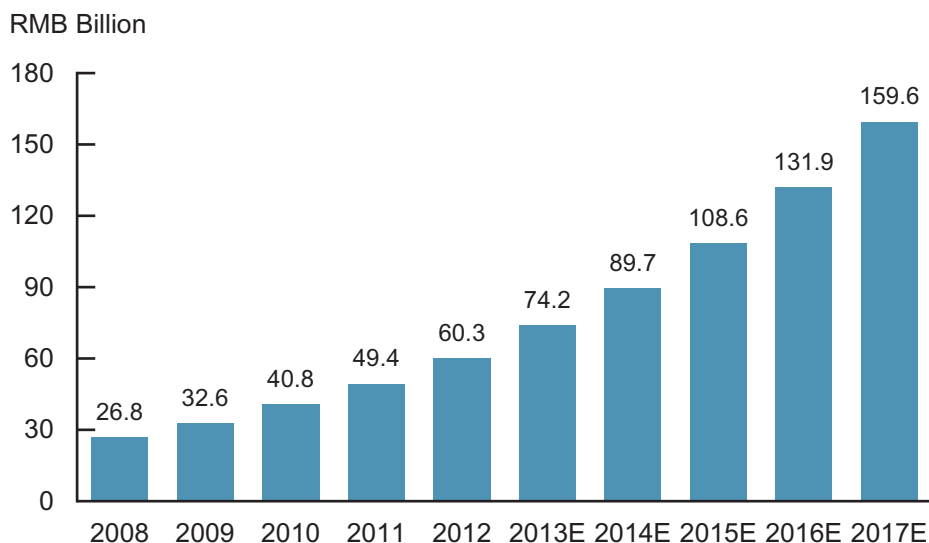
Imported Pharmaceutical Products Market in China

According to the Frost & Sullivan Report, the imported pharmaceutical market in China grew from RMB26.8 billion in 2008 to RMB60.3 billion in 2012, representing a CAGR of 22.5%. According to the Frost & Sullivan Report, it is estimated that the market will grow to RMB159.6 billion in 2017, representing a CAGR of 21.1% from 2013 to 2017. Growth for the imported pharmaceutical market in China over the next few years is expected to outpace the overall growth of the pharmaceutical market in China as imported pharmaceutical products are generally perceived to be of higher quality in comparison to domestically manufactured products and with the increasing purchasing power of the PRC population, the affordability of imported pharmaceutical products is expected to continue to increase. Additionally, more imported pharmaceutical products are expected to be launched in China over the next few years to address unmet medical needs from patients.

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The following chart illustrates the historical and forecast market size of the imported pharmaceutical market in China for the periods indicated:

China Imported Pharmaceutical Market Size



Source: PRC Customs statistics, Frost & Sullivan interview and analysis

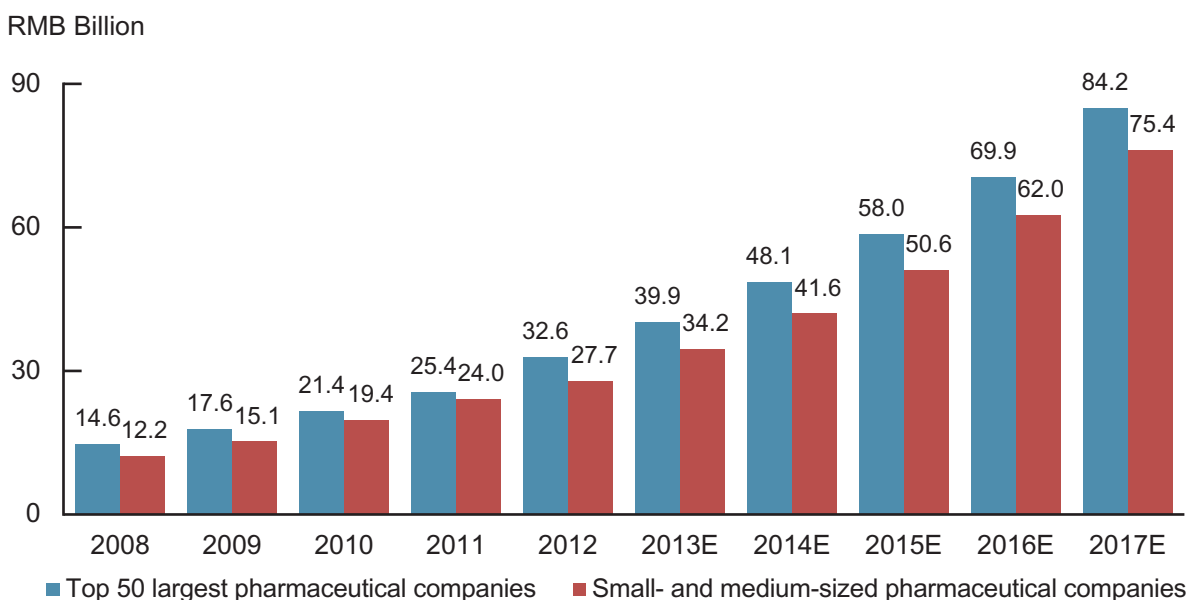
Imported Pharmaceutical Products Manufactured by Small- and Medium-sized Companies in China

According to the Frost & Sullivan Report, the market in China for imported pharmaceutical products manufactured by small- and medium-sized pharmaceutical companies amounted to RMB12.2 billion in 2008. According to the Frost & Sullivan Report, small- and medium-sized pharmaceutical companies refer to pharmaceutical companies other than the 50 largest pharmaceutical companies by revenue. This market grew at a CAGR of 22.7% to amount to RMB27.7 billion in 2012 and is expected to grow at a CAGR of 21.8% from 2013 to amount to RMB75.4 billion in 2017. In comparison, the market in China for imported pharmaceutical products manufactured by the 50 largest international pharmaceutical companies (ranked by total revenues), amounted to RMB14.6 billion in 2008. This market grew at a CAGR of 22.3% to amount to RMB32.6 billion in 2012 and is expected to grow at a CAGR of 20.5% from 2013 to amount to RMB84.2 billion in 2017.

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The following chart illustrates the historical and forecast market size of the imported pharmaceutical market in China, broken down by the market for products manufactured by the 50 largest international pharmaceutical companies by revenue and the market for products manufactured by small- and medium-sized pharmaceutical companies, for the periods indicated:

Breakdown of the Imported Pharmaceutical Products Market in China



Source: PRC Customs statistics, Frost & Sullivan interview and analysis

PRIMARY GROWTH FACTORS FOR IMPORTED PHARMACEUTICAL PRODUCTS IN CHINA

According to the Frost & Sullivan Report, the primary drivers for the growth of the imported pharmaceutical product market in China include the following:

- **Increasing demand:** the demand for imported pharmaceutical products is expected to continue to increase, as the prevalence rates of diseases, especially chronic diseases, are increasing in China due to its large and ageing population, lifestyle changes and environmental problems, and imported pharmaceutical products often have better quality or clinical performance compared to locally manufactured products.
- **Increasing affordability:** the increasing disposable income of Chinese consumers, increasing health consciousness and healthcare spending, and the ongoing healthcare reforms, especially the improving medical insurance system, have made imported pharmaceutical products increasingly affordable for Chinese consumers.
- **New product launches and enhanced sales efforts:** an increasing number of overseas pharmaceutical companies are looking to introduce their products to the rapidly growing Chinese healthcare market to address unmet medical needs in China and tap the potential of its market, and will accordingly expand and increase their efforts to further penetrate the market in China.
- **Quality awareness:** as a result of increasing focus on product quality, Chinese consumers become more loyal to imported pharmaceutical products, as their confidence in locally

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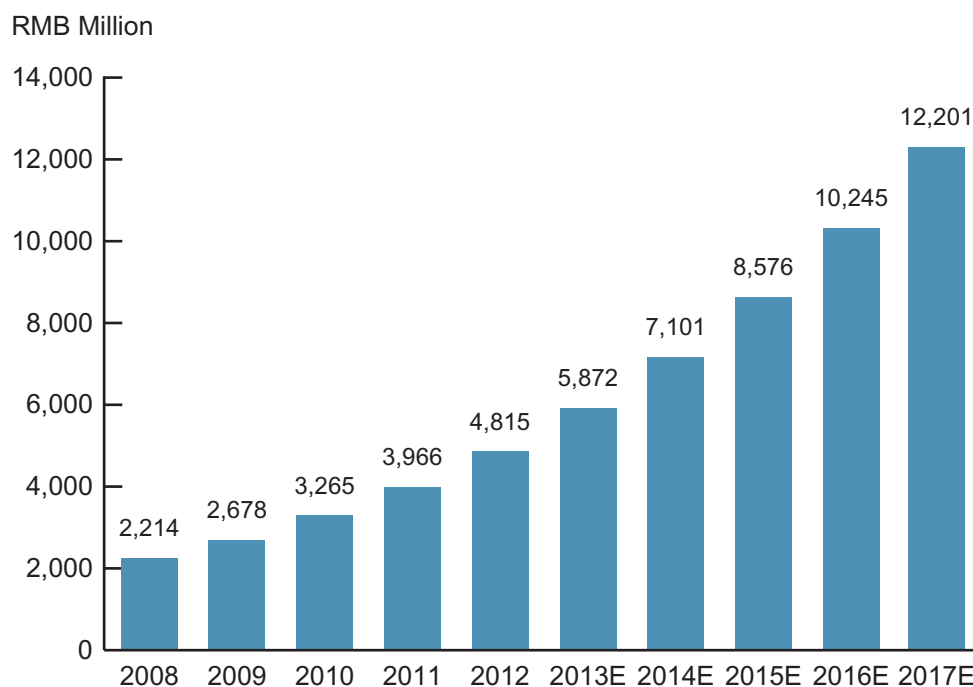
manufactured products is damaged by the publicity of various serious quality incidents involving domestic pharmaceutical products.

Ophthalmic Pharmaceutical Products Market in China

According to the Frost & Sullivan Report, the ophthalmology market refers to drugs used for the treatment of ophthalmic diseases including eye infections and inflammation, dry eye, cataracts, glaucoma, retinal diseases, macular degeneration and ocular allergy. In China, the largest treatment segments for ophthalmic diseases include infection and inflammation, dry eye, glaucoma, cataract and macular degeneration. The ophthalmic pharmaceutical products market in China grew from RMB2,214 million in 2008 to RMB4,815 million in 2012, representing a CAGR of 21.4%. It is estimated that the market will grow to RMB12,201 million in 2017, representing a CAGR of 20.1% from 2013 to 2017.

The following chart illustrates the historical and projected market size of the ophthalmic pharmaceutical products market in China for the periods indicated:

Ophthalmic Pharmaceutical Products Market in China



Source: Chinese Pharmaceutical Association, Frost & Sullivan analysis

According to the Frost & Sullivan Report, the general awareness for the diagnosis and treatment of ophthalmic diseases remains low in China. As such, market growth in China is expected to be driven by increased incidence of ophthalmic diseases due to ageing population and lifestyle change as well as improving availability of ophthalmological pharmaceutical products. In comparison to China's pharmaceutical market, the ophthalmic pharmaceutical products market in China is relatively concentrated with the top five players accounting for a market share of just under 50%. Overseas manufacturers account for four of these top five players. Alcon has been the market leader in China over the past three years and held a leading market share of 16.2% in 2012.

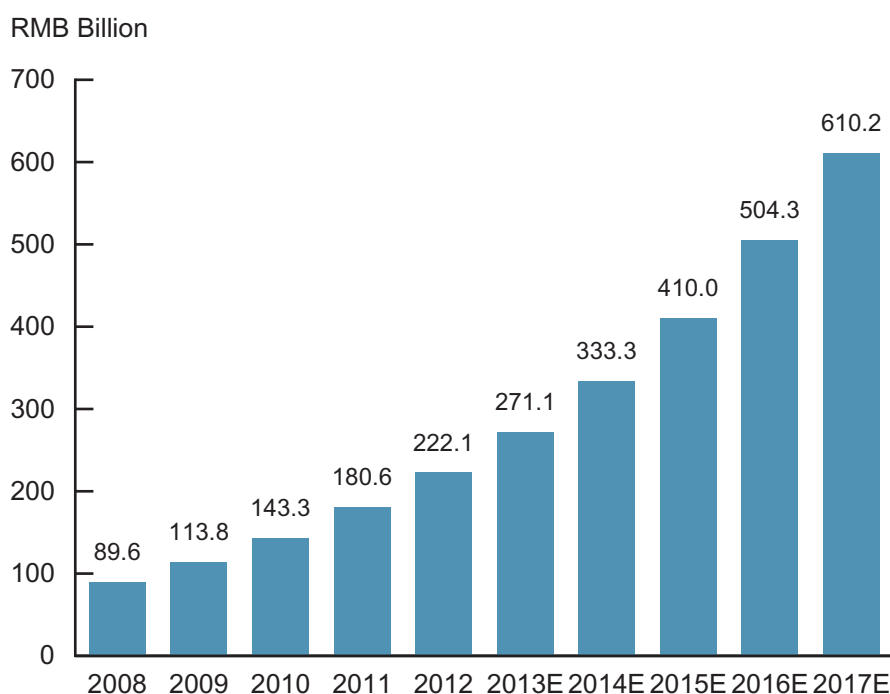
MEDICAL DEVICES MARKET IN CHINA

Overview of the Medical Device Industry in China

The medical device industry in China has grown steadily in recent years. According to the Frost & Sullivan Report, the Chinese medical device market grew from RMB89.6 billion in 2008 to RMB222.1 billion in 2012, representing a CAGR of 25.4%. It is estimated that the market will grow to RMB610.2 billion in 2017, representing a CAGR of 22.4% from 2013 to 2017.

The following chart illustrates the historical and forecast market size for medical devices in China for the periods indicated:

China Medical Devices Market Size



Source: Frost & Sullivan analysis

The medical device industry in China has experienced significant growth in the past few years due to increasing demand for medical equipment and consumables in both urban and underdeveloped rural areas. The main growth drivers of the medical device industry in China include:

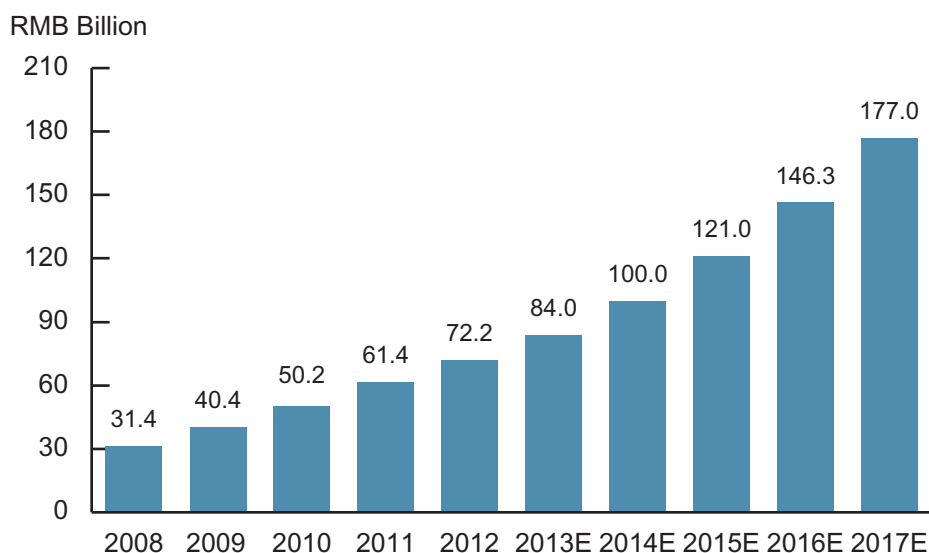
- A favourable macro-economic environment.
- Increased government funding designated for developing healthcare infrastructure and increased government healthcare insurance coverage in China.
- The ageing population and increasing health awareness of the general public.
- The upgrading of existing medical equipment and other devices in hospitals.

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Imported Medical Devices Market in China

According to the Frost & Sullivan Report, the imported medical devices market in China grew from RMB31.4 billion in 2008 to RMB72.2 billion in 2012, representing a CAGR of 23.2%. It is estimated that the market will grow to RMB177.0 billion in 2017, representing a CAGR of 20.5% from 2013 to 2017. The following chart illustrates the historical and forecast market size of the imported medical devices market in China for the periods indicated:

China Imported Medical Devices Market Size



Source: Frost & Sullivan analysis

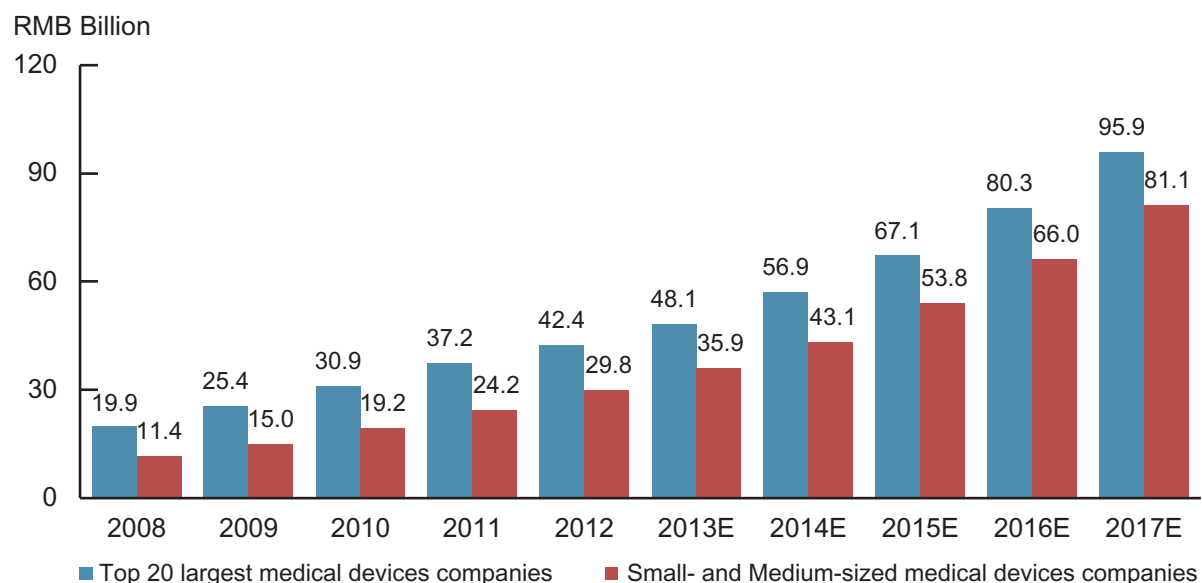
Imported Medical Devices Manufactured by Small- and Medium-sized Companies in China

According to the Frost & Sullivan Report, the market in China for imported medical devices manufactured by small- and medium-sized companies amounted to RMB11.4 billion in 2008. This market grew at a CAGR of 27.0% to amount to RMB29.8 billion in 2012 and is expected to grow at a CAGR of 22.6% from 2013 to amount to RMB81.1 billion in 2017. In comparison, the market in China for imported medical devices manufactured by the 20 largest international medical devices companies (ranked by total revenues), amounted to RMB19.9 billion in 2008. This market grew at a CAGR of 20.8% to amount to RMB42.4 billion in 2012 and is expected to grow at a CAGR of 18.8% from 2013 to amount to RMB95.9 billion in 2017.

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The following chart illustrates the historical and forecast market size of the imported medical devices market in China, broken down by the market for products manufactured by the 20 largest international medical devices companies (ranked by total revenues) and the market for products manufactured by small- and medium-sized medical devices companies, for the periods indicated:

Breakdown of the Imported Medical Devices Market in China



Source: Frost & Sullivan database and analysis

PRIMARY GROWTH FACTORS FOR IMPORTED MEDICAL DEVICES PRODUCTS IN CHINA

According to the Frost & Sullivan Report, the primary drivers for the growth of the imported medical device products market in China include the following:

- Increasing prevalence rates of chronic diseases: the prevalence rates of chronic diseases are increasing in China due to a large and ageing population, lifestyle changes and environmental problems, which drive the demand for imported medical devices.
- Increasing demand for high-end medical services and advanced medical therapies: imported medical devices often provide more advanced medical therapies and provide high quality medical services. The rapid economic growth and rising disposable income have led to the developments of more high-end, privately-owned medical service facilities in China, which will also drive the market demand for imported medical devices.
- Increasing affordability: the increasing disposable income of Chinese consumers, increasing health consciousness and healthcare spending, and the ongoing healthcare reforms, especially the improving medical insurance system, have made imported medical devices increasingly affordable for Chinese consumers.

PHARMACEUTICAL MARKETING, PROMOTION AND CHANNEL MANAGEMENT SERVICES INDUSTRY IN CHINA

Overview

China's pharmaceutical marketing, promotion and channel management services industry is highly specialised. Service providers assist pharmaceutical manufacturers in promoting and marketing their pharmaceutical products to targeted physicians in China. They generally adopt a physician-oriented academic promotion approach, which includes educating physicians on the proven clinical data, usage, side effects and other clinical aspects of the pharmaceutical products, organising clinical seminars, sponsoring medical conferences and providing other value-added promotion-related services. These promotion services are also engaged by pharmaceutical manufacturers to facilitate the launch of new products or new market entries with the aim of improving the efficiency of introducing products into China. In recent years, the outsourcing of marketing, promotion and channel management services in China has become an increasingly important component of a pharmaceutical manufacturer's marketing strategy, driven in large part by an increasing focus on cost-saving in an environment of rising sales costs.

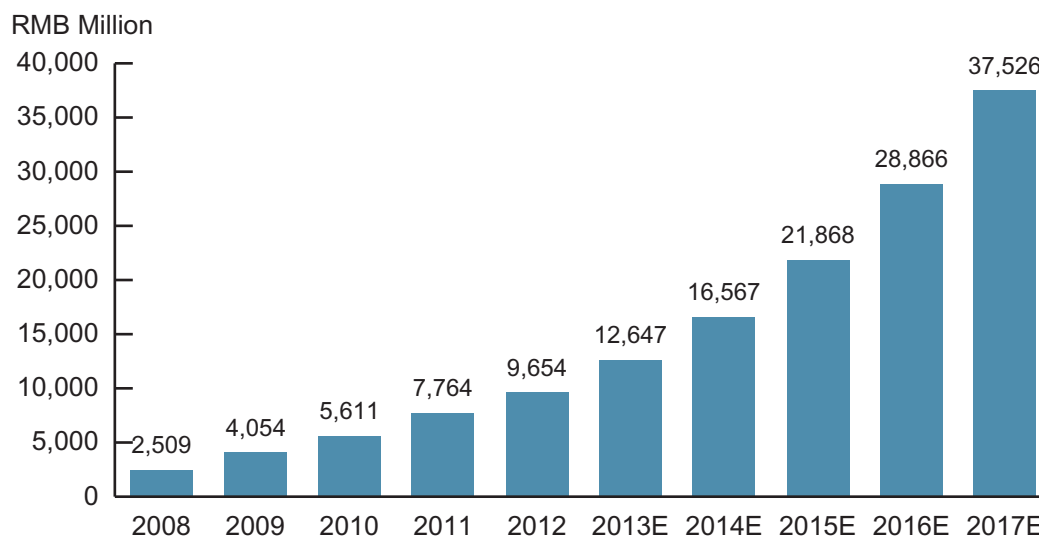
Third-party marketing, promotion and channel management service providers in China usually secure marketing, promotion and sales rights to pharmaceutical products in China from suppliers, and generate their revenue from the sale of the products to distributors, who then on-sell the products to hospitals. This approach stands in contrast with the approach that prevails in more developed markets, where service providers typically operate a fee-for-service model, under which they are remunerated based on a pre-determined percentage of total sales generated. In China, third-party service providers typically help to raise awareness and strengthen recognition of the products by carrying out promotion activities targeted at physicians in hospitals, which in turn generate sales to hospitals from distributors. This business model is largely driven by demand from upstream pharmaceutical product suppliers, in particular those small- to medium-sized overseas pharmaceutical companies which do not have their own sales forces and are either not capable of or not interested in managing a sales network in China because of the cost implications or the risk profile or for other reasons. Given this fact, a service provider with proven capabilities and consistent track record to offer one-stop solutions is better positioned to attract suppliers.

According to the Frost & Sullivan Report, China's pharmaceutical marketing, promotion and channel management services industry has grown substantially from RMB2,509 million in 2008 to RMB9,654 million in 2012, representing a CAGR of 40.1%. The Chinese pharmaceutical market continues to grow and foreign players and products continue to enter the market. The Frost & Sullivan Report projects that the pharmaceutical marketing, promotion and channel management services industry in China will continue to grow and reach RMB37,526 million by 2017, representing a CAGR of 31.2% from 2013 to 2017.

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The following chart illustrates the historical and forecast market size of the pharmaceutical marketing, promotion and channel management services industry in China for the periods indicated:

China Pharmaceutical Marketing, Promotion and Channel Management Services Market Size



Source: Frost & Sullivan analysis

According to the Frost & Sullivan Report, the top five service providers in China in 2012 in terms of revenue calculated based on wholesale price are China Medical System, our Group, Eddingpharm, NT Pharma, and RXmidas. In 2012, our Company, which provides marketing, promotion and channel management services for overseas manufacturers of pharmaceutical products, increased our market share in China from approximately 8.7% in 2011 to 9.4%, and our marketing, promotion and channel management services network is one of the largest in China in terms of hospital coverage and therapeutic focus. China Medical System was the market leader in 2012, and its business focuses on products manufactured by overseas and domestic pharmaceutical manufacturers. Eddingpharm was ranked third in 2012, and its business primarily focuses on marketing and promoting oncology, nutrition, anti-infective and central nervous system products from multinational pharmaceutical companies in China. NT Pharma was ranked fourth in 2012 in terms of market share, and its pharmaceutical promotion business primarily focuses on marketing and promoting products from multinational pharmaceutical companies in China. In addition, NT Pharma, which formerly had a strong presence in vaccine promotion and distribution in China, recently announced its intention to withdraw from the vaccine promotion and distribution market. RXmidas was ranked fifth in 2012, and its pharmaceutical promotion business primarily focuses on products in cardiovascular, orthopedic and gynecology areas.

In addition to the competition amongst themselves, service providers also compete with pharmaceutical manufacturers' in-house marketing, promotion and sales teams, which reduces the need for third-party services.

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The table below summarises the market share of the top providers of pharmaceutical marketing, promotion and channel management services in China for the periods indicated:

Key industry players	Market share	
	2011	2012
China Medical System	16.7%	18.4%
Our Group	8.7%	9.4%
Eddingpharm	8.5%	7.7%
NT Pharma	14.7%	5.0%
RXmidas	3.8%	4.1%

Source: Frost & Sullivan

Key Growth Drivers for Pharmaceutical Marketing, Promotion and Channel Management Services Industry in China

According to the Frost & Sullivan Report, the key growth drivers for pharmaceutical marketing, promotion and channel management services industry in China include the following:

- Overseas pharmaceutical manufacturers are expected to outsource the marketing and sales of more products to third-party promotion service providers. In general, these companies typically have an expanding portfolio of products in China and as more of their products lose patent protection, engaging third-party promotion service providers can help them prioritise their resources and promote these products in remote markets where they do not have wide coverage and capture the potential growth of these products without incurring significant additional costs.
- Many small- to medium-sized overseas pharmaceutical companies have not reached critical scale in China and lack the capability to do so or do not consider it efficient to build-up their in-house marketing capabilities and independently market and promote their products in China. Engaging third-party promotion service providers is viewed as being a cost-efficient way for them to capture the vast potential growth of the Chinese pharmaceutical market.
- The ongoing healthcare reforms and the rapid economic growth in China will create new target markets for the pharmaceutical industry, including wealthy rural areas, urban community hospitals and new emerging small cities due to the urbanisation process. Overseas pharmaceutical companies are expected to engage third-party promotion service providers to penetrate these new target markets.
- Leading third-party promotion service providers continue to enhance their marketing, promotion and sales capabilities, which will attract more pharmaceutical companies to leverage their services in expanding their sales.

SOURCE OF INFORMATION

In connection with the Global Offering, we have engaged Frost & Sullivan to conduct a detailed analysis and prepare an industry report of the pharmaceutical and medical device market in China. We incurred a total of RMB720,000 in fees and expenses for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful Listing or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the Global Offering.

INDUSTRY OVERVIEW

Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We have included certain information from the Frost & Sullivan Report in this prospectus because we believe such information facilitates an understanding of this market for potential investors.

Frost & Sullivan's independent research was undertaken through both primary and secondary research obtained from various sources within China. Primary research involved interviews with leading industry participants including the senior health professionals, largest distributors in China, key pharmaceutical associations, other research agencies affiliated to the Chinese governments, and other experts related to the business of our Company. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these parameters.

Please see the section headed "Risk Factors — Risks Relating to the Global Offering and Our Shares — Facts, forecasts and statistics in this prospectus relating to China, the PRC economy and the industries in which we operate are derived from various sources and may not be fully reliable" of this prospectus.