

SinoCare

SinoCare Group

中康德众

Confidential

SinoCare

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Model & Strategy

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- (2). Hospital Analysis & Acquisition
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Case Study

- (1). Binggong

Future Plans

- (1). Sinocare Future Plans
- (2). Future Hospitals

Overview

- ❖ The Chinese healthcare sector offers large and scaleable opportunities
- ❖ SinoCare is uniquely positioned to exploit these opportunities
- ❖ By the end of 2008, SinoCare has 3 hospitals
- ❖ The aim is to be the Chinese equivalent of Kaiser Permanente or BUPA
- ❖ SinoCare plans IPO at \$ 1 billion + valuation in 2016

Chinese Healthcare Sector

- ❖ 1.4 billion population
- ❖ 16,781 mid~large public hospitals (200+ beds)
- ❖ Favourable government outlook towards improving healthcare sector
- ❖ Some Chinese public hospitals currently in a poor state and in need of extensive investment
- ❖ New opportunities for private sectors ownership/management of public hospitals
- ❖ Chinese public hospitals not free to Chinese citizens (payment required in cash or via insurance for treatment and services)

Competitive Advantages

- ❖ Outstanding Chinese political connections
- ❖ Blue chip Chinese medical connections (see Appendix 3)
- ❖ Early mover advantage
- ❖ Unique JV business model
- ❖ SinoCare granted valuable, and difficult to obtain, private sector license for hospital management
- ❖ High barriers for entry for future competitors

Corporate Structure



❖ Please see main shareholders' CVs in Appendix 1

Management Team

BOARD

Co-Chairman
Doron BIRAN

Co-Chairman
John PORTER

CEO
Dr.Yanhui MA

CEO
Dr.YanHui MA

**Hospital
Investment**

Sicheng YANG

**Hospital
Management**

Baoying CHEN

**Finance &
Accounting**

Jingda WANG



Business Model

- ❖ Focus on hospitals in high GDP cities
- ❖ Target the number 1 or 2 hospitals in each target city
- ❖ Focus on public hospitals for the mass Chinese population, not private hospitals for expatriates and the rich Chinese
- ❖ JV with municipalities (with SinoCare always retaining control)

Hospital Investment and Management Review Process

❖ Stage 1 Preliminary Review

- ❖ Exclusivity agreement for period of due diligence with initial price and proportion of JV agreed
- ❖ Physical inspection
- ❖ Operational evaluation
- ❖ Financial review
- ❖ Overview discussions with hospital management and staff, approval in principal including preliminary contract
- ❖ Typically takes 2-4 weeks

Hospital Investment and Management Review Process

❖ Stage 2 Detailed Evaluation

- ❖ Assignment of key Sinocare project team
- ❖ Confirmation of ownership of physical assets
- ❖ Detailed prior 3 years financial review
- ❖ Legal review
- ❖ Preparation of audited valuation report
- ❖ Proposal of Sinocare plan for target hospital (prepared after discussions with hospital management and local municipal)
- ❖ Detailed investment and joint venture structure plans
- ❖ Typically takes a further 4-8 weeks depending on size of hospital and Joint venture structure

Hospital Investment and Management Review Process

❖ Stage 3 Final Stage

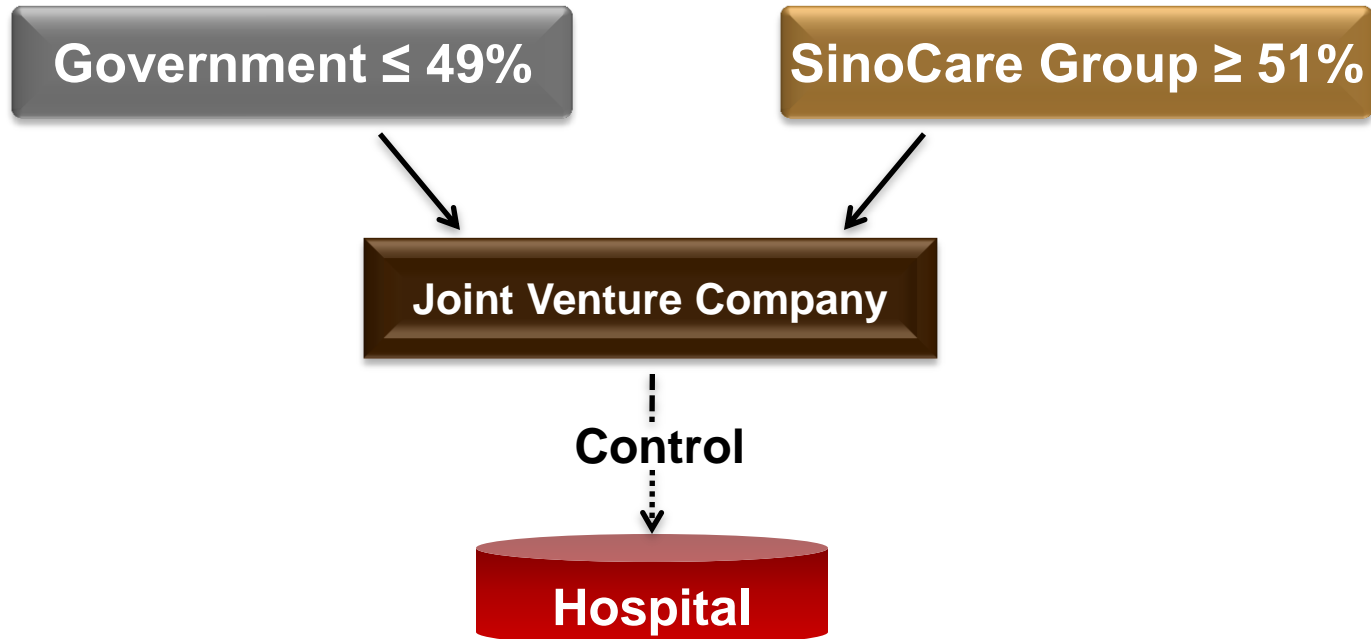
- ❖ Agreement of Sinocare plan for target hospital with hospital management staff and local municipal
- ❖ Agreement of price and proportion of share of Joint venture
- ❖ Approval obtained from hospital management, local municipal and central Government
- ❖ Joint Venture signed

Management Strategy

Increase Revenue and Control Costs by:

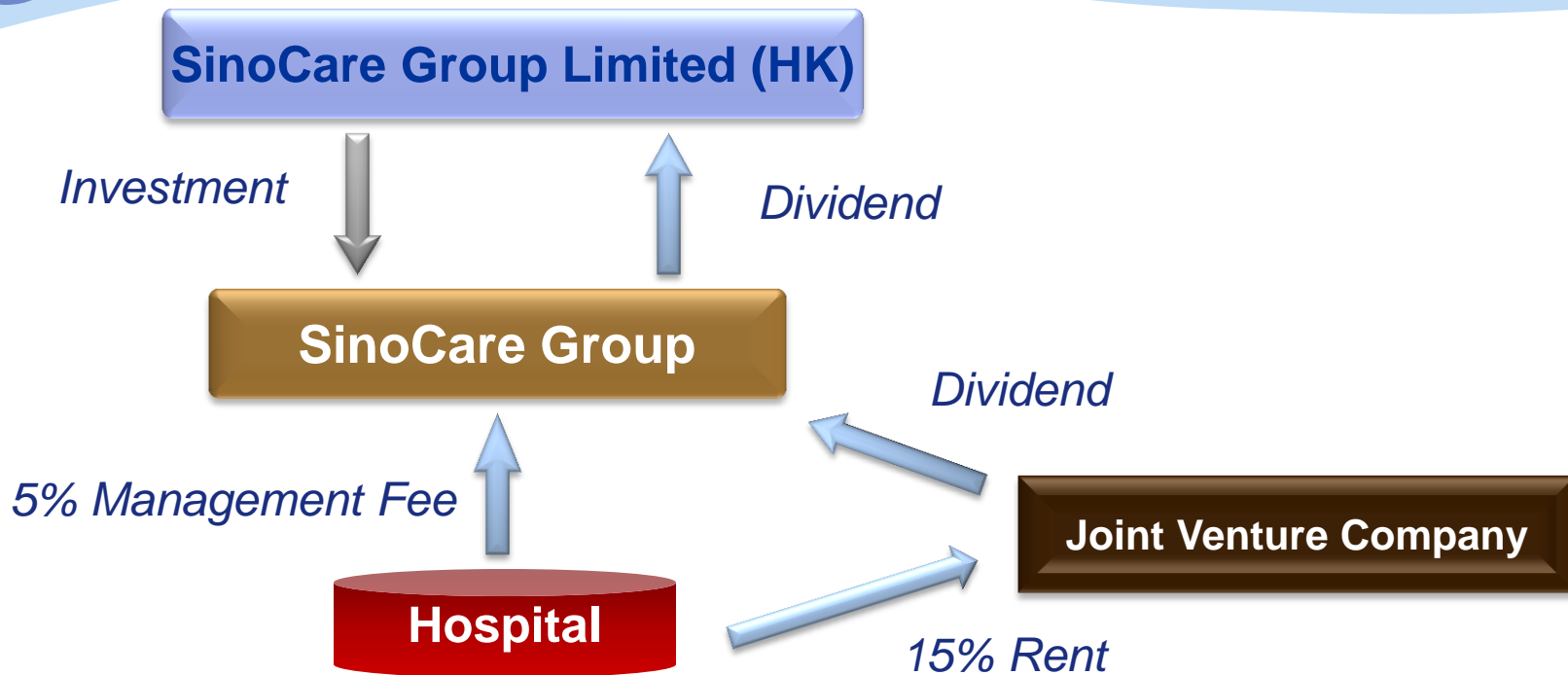
- ❖ Introducing modern management techniques
- ❖ Outsourcing non-core functions to reduce costs
- ❖ Modernising standards of healthcare
- ❖ Providing new technologies and state of the art equipment
- ❖ Restructuring hospital teams and introducing new motivated/trained personnel
- ❖ Creating network of strategically located hospitals
- ❖ Collaborating with international hospitals and key professionals around the world

Joint Venture Structure



- ❖ JV formed with local governments who injects hospital assets. Sinocare injects cash for a majority stake.
- ❖ SinoCare is liable to income tax at a rate of 7.5% in 2008/9, and a rate of 15 % from 2010.

Joint Venture Cash Flow



- ❖ JV and the Hospital sign a 15-20 year renewable Management Agreement with SinoCare with a management fee of 5% of total revenue.
- ❖ JV signs a 15-20 year renewable Lease Agreement with the Hospital (on sale & lease back model). Hospital pays a rent of 15% of total revenue.
- ❖ SinoCare revenue stream based on hospital revenue generation rather than profits



Competitive JV Structure

- ❖ Unique revenue-sharing Joint Venture Structure
- ❖ Low capital intensity and capex requirements
- ❖ High profit margins and cash flow conversion potential given size of market, allowing rapid network expansion
- ❖ Strong replicability of business model throughout SinoCare hospitals all over China
- ❖ High barriers to entry for future competitors

Xinan Binggong Hospital



❖ SinoCare 100%

- ❖ Location: Sichuan
- ❖ Hospital Area: 22,000 m²
- ❖ Beds: 220
- ❖ Staff: 253
- ❖ Out-patient: 35,000
- ❖ In-patient: 3,000

Xinan Binggong Hospital

	2006	2007	2008	2009	2010	2011
Hospital Revenue	1.25	1.94	2.87	4.45	6.45	8.71
Profit	-	-	0.39	1.10	2.10	3.22
Sinocare's income			0.57	0.89	1.29	1.74

Unit: US \$ million

Investment amount: \$ 2.14 million

Hospitals prospect



Puren Hospital



Nanjing Hospital



Maoming Sinopec Hospital



Handan Cancer Hospital

Hospital basic information

Name	bed numbers	before merger				after merger				bed occupancy rate of 2007	bed occupancy rate of 2008	length of patient stay(days)2007	length of patient stay(days)2008	number of outpatients 2007	number of outpatients 2008	number of inpatients 2007	number of inpatients 2008
		opened bed numbers	employees	medical staff	month revenue	opened bed numbers	employees	medical staff	revenue								
Dongdu hospital	250	60	178	128	0.8M	100	183	50	0.65M	58.00%	59.55%	22.78	22.30	25817	18550	2957	2050
Nanchong hospital	120 (250 available)	80	185	135	0.6M	120	172	140	0.7M	58.10%	61.59%	15.40	18.70	10646	11478	1139	1150
Xinan Binggong hospital	185	140	176	137	1.2M	185	199	160	2M	59.00%	81.50%	18	13.83	31366	36528	2870	3915
Name	bed numbers	2008				bed occupancy rate of 2007	bed occupancy rate of 2008	length of patient stay(days)2007	length of patient stay(days)2008	number of outpatients 2007	number of outpatients2008	number of inpatients2007	number of inpatients2008				
		opened bed numbers	employees	medical staff	month revenue												
Wuhan Puren hospital	520 (600 practical)	600	698	602	11.6M	108.99%	98.28%	12.57	11.52	318923	335000	14769	18654				
Maoming hospital	603	573	820	686	10.8M	68.89%	70.59%	13.35	12.23	294788	338500	12659	16000				
Zhangjiakou hospital	300	300	325	231	4.16M	95.44%	102.52%	15.70	16.06	108533	112494	3857	3779				
Handan hospital	260	200	240	184	1.2M	80%	82%	17.20	16.01	42000	45000	2300	2500				

SinoCare Future Plans

- ❖ Acquire 3 and up to 6 hospitals by December 2009
- ❖ IPO or sale of strategic stake in 2010
- ☐ Develop own insurance operations leveraging off hospital network
- ☐ Exploit synergies between SinoCare and SinoMed and SinoPharma

Appendix 1

❖ **Co-Chairman** **Prof.Doron BIRAN**

- Israeli born, British citizen
- LL.B Business Law degree from London University
- Lloyd's underwriter for medical malpractice
- Well regarded international investor
- Chairman of Landmark Group (one of the top real estate investors with multimillion pound property and bonds portfolio in the UK, Europe, Asia and the US)
- Lectured as part-time Professor in Tsinghua University

Appendix 1

❖ Co- Chairman

JOHN PORTER

- British citizen
- Degrees from Oxford University, Institut d'Etudes Politiques de Paris and Stanford University
- Engaged in significant investment projects mainly in the information and healthcare industries since 1980s
- Major shareholder of Telos Corp. (listed on NASDAQ) and was also the co-founder of Verifone Inc. (listed on NYSE)

Appendix 1

❖ Director – Dr. Yanhui MA

- MD, China Medical School; PhD, University of California
- Specialized in diabetes and endocrinology
- Close ties with central and local governments and national medical institutions
- Member of Government medical think tank
- Very high reputation in medical investment and technology area both in China and America

Appendix 2

❖ CFO – Jingda WANG

- Ph.D, Accounting, Beijing Tsinghua University
- Published her research in dozens of peer-reviewed journals relevant to fiscal system and taxation in China

Appendix 2

❖ **Management Director – Sicheng YANG**

- MA, Finance
- Was the investment manager of Beijing Venture Capital Co., Ltd.
- Experienced in project investment and management

Appendix 2

❖ **Hospital Management Director** – **Baoying CHEN**

- Hospital Director Excellence Award
- President for 10 years of one of largest Hospitals in PRC
- >20 years international experience in clinical practice and hospital management

Appendix 3

❖ **Government & Professional Associations**

- China Ministry of Health (MOH)
- China Ministry of Education (MOE)
- China Ministry of Science and Technology (MOST)
- China Food and Drug Administration (FDA)
- Chinese Sinopec Hospital Association
- Chinese Hospital Association (CHA)
- Chinese Stomatological Association (CSA)

Appendix 4

❖ SinoCare Financing and Earning Prediction

- Case study
- SinoCare investment prediction
- SinoCare income prediction
- SinoCare cash flow prediction

Appendix 4

Case Study

Projected
Investment

Projected
Income

Projected
Cash flow

Binggong Hospital

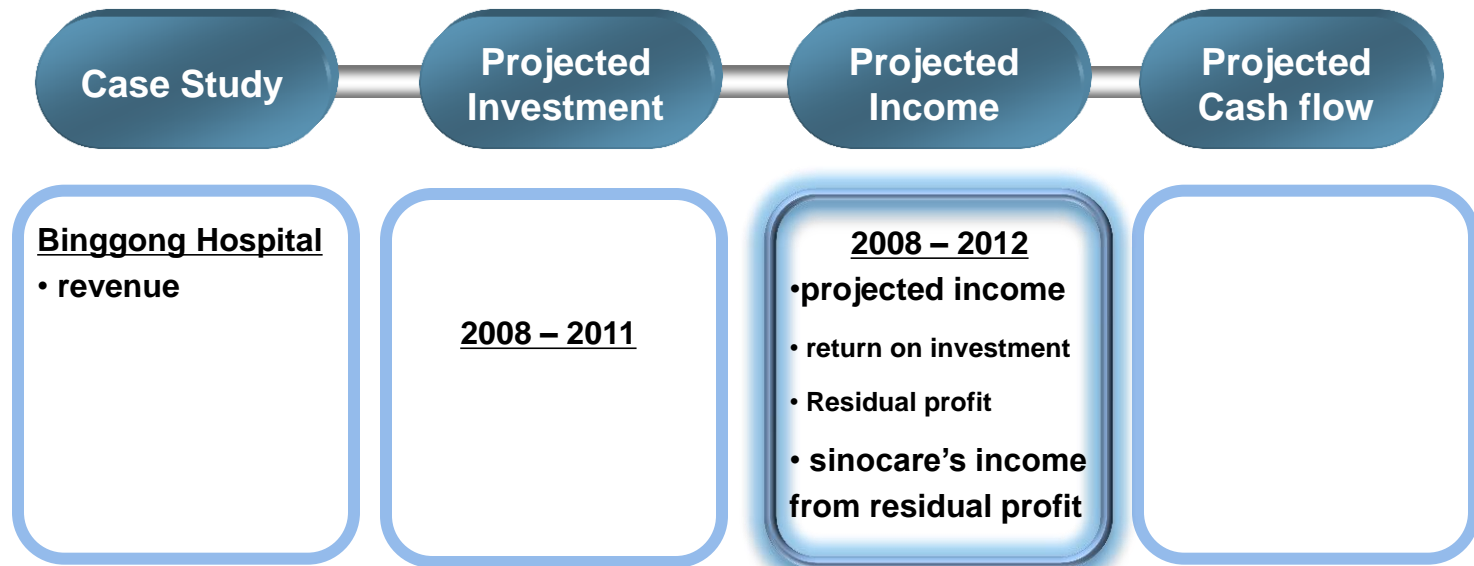
• revenue

XINAN BINGGONG HOSPITAL REVENUE

Unit: US \$ 10,000

Month	Bed usage rate						Outpatient amount	Hospitalization amount	Surgical amount					outpatient revenue	medical revenue	Total
	Dept. of Internal Medicine	Dept. of Surgery	Dept. of Gynecology & Obstetrics	Dept. of Oncology	No. 3 Dept. of Internal Medicine	Average			Dept. of Internal Medicine	Dept. of Surgery	Dept. of Gynecology & Obstetrics	Dept. of Oncology	Subtotal			
1	52.50%	64.30%	62.60%	76.10%	75.00%	67.10%	1690	181		20	55	2	81	232,727.12	745,320.30	943,017.00
2	52.60%	44.90%	45.80%	51.60%	65.90%	52.92%	1730	238		6	54	1	61	211,421.92	970,185.97	975,016.05
3	69.70%	84.30%	75.30%	87.60%	97.60%	82.90%	2665	262		22	55	2	79	314,550.97	1,083,343.11	1,370,213.72
4	60.10%	75.50%	82.90%	82.60%	112.30%	82.88%	2620	313		20	72	2	94	332,906.14	1,174,743.56	1,524,427.12
5	70.60%	85.10%	85.70%	82.40%	97.30%	76.70%	2276	308		20	50	1	71	307,201.11	918,724.99	1,258,730.25
6	75.40%	77.80%	76.80%	69.20%	82.30%	76.14%	2686	308	1	19	48	1	69	360,187.71	971,665.56	1,499,172.73
7	65.80%	123.70%	101.50%	100.50%	96.30%	96.36%	2627	368	3	47	73	0	123	437,912.19	1,380,355.11	1,862,500.85
8	75.10%	113.00%	107.10%	91.90%	105.20%	95.28%	3026	382	1	30	73	1	105	422,806.85	1,441,195.01	2,057,970.07
Total	66.15%	80.98%	78.34%	80.24%	91.93%	79.53%			5	154	404	10	683	2,619,692.62	8,286,541.21	11,409,058.99

Appendix 4



Hospital Gross Turnover

unit:RMB million

Hospital Name	Sinocare Revenue 2008	Sinocare Revenue 2009	lease fee and management fee rate	gross turn over 2008	gross turn over 2009
Nanchong hospital	1.55M	2.31M	15.33%	10.11M	15.04M
Dongdu hospital	0.54M	2.41M	15.50%	3.48M	15.55M
Xinan binggong hospital	4.01M	5.80M	20%	20.05M	29M
Wuhan puren hospital		20.24M	12.65%		160M
Maoming Hospital		27.75M	12.65%		219M
Zhangjiakou Hospital		8.22M	18.50%		44.45M
Handan Hospital		3.30M	12.65%		26.09M
Nanjing Hospital		18.37M	12.65%		145M

Hospital Information

hospital name	Sinocare shareholding %	Total Investment & Purchase Amount Required (RMB)	Investment used for hospital growth (RMB)	Investment/purchase amount required in 2009 (RMB)	2007 revenue (RMB)	2008 Revenue (RMB)	2008 Profit (RMB)	2009 Forecast Revenue (RMB)	2009 Forecast Net Profit (RMB)	Current Debt (RMB)	Explanation of revenue model to Sinocare. Eg. 15% mgmt agreement? X% leaseback hospital asset? Only direct sharing of profit without mgmt fees? Etc.
Dongdu hospital	70%	20M	8M	15M	9.94M	6.81M	-	15.56M	1.80M	34.98M	management and lease contract signed
Nanchong hospital	68.89%	25M	6M	0M	7.85M	8.95M	-	15.04M	1.74M	4.21M	management contract signed, JV is set up, asset lease contract will be signed in Feb.
Xinanbinggong hospital	100%	15M	0M	0M	13.55M	20.16M	-	29.00M	5.66M	16.01M	management contract signed, JV will be set up, then asset lease contract will be signed.
Maoming hospital	90%	70M	10M	42M	117.23M	130M	10M	150M	28M	49.34M	hospital manager team agree that we can get 5%management fee and 15% lease fee from hospital.
Wuhan hospital	51%	80M		40M	117.86M	140M	11M	160M	19M	54.99M	hospital manager team agree that we can get management fee or lease fee from hospital.
Zhangjiakou hospital	51%	50M	5M	25M	40.59M	49.26M	3.38M	65.01M	13M	19.18M	hospital manager team agree that we can get management fee or lease fee from hospital.
Handan hospital	51%	16M	6M	8M	13.38M	14.68M	-	27.09M	4.39M	20.60M	hospital manager team agree that we can get management fee or lease fee from hospital.

Projected hospital ROI of Sinocare

Unit: RMB million

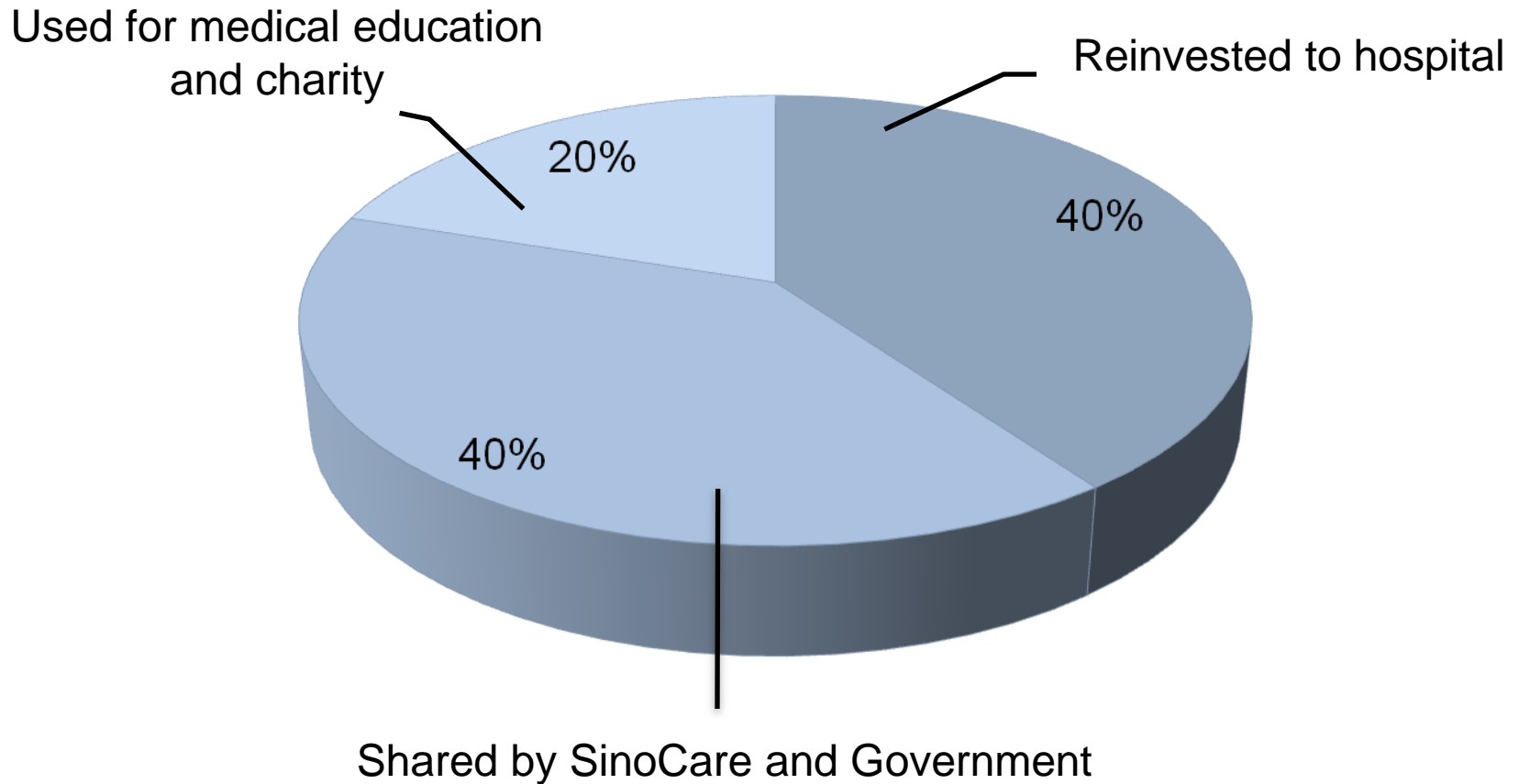
Hospital invested	shares percentage	capital investment	projected income of sinocare 2009	ROI of 2009
Nanchong	69%	10	2.31	23.06%
Dongdu	70%	10	2.41	24.10%
Xinan Binggong	100%	15	5.80	38.67%
Puren	51%	80	20.24	25.30%
Maoming	90%	70	27.75	39.64%
zhangjiakou	51%	50	8.22	16.45%
Handan	51%	16	3.30	20.63%
Nanjing	51%	90	18.37	20.41%

HOSPITAL RESIDUAL PROFIT

Unit: US \$ million

Item	2008	2009	2010	2011	2012
Nanchong	0.00	0.12	0.35	0.90	1.30
Dongdu	–	0.26	0.77	1.38	1.99
Xinanbinggong	–	0.21	0.81	1.48	2.36
Jianyang	2.96	1.80	2.54	2.79	3.07
WuhanPuren	0.90	0.34	1.87	3.76	6.06
Maoming	2.00	1.20	2.64	2.90	3.19
Nanjing	0.90	0.34	1.87	3.76	6.06
Handan	0.02	–	0.14	0.59	0.85
total	6.79	4.25	10.99	17.57	24.89

DISTRIBUTION OF RESIDUAL PROFIT

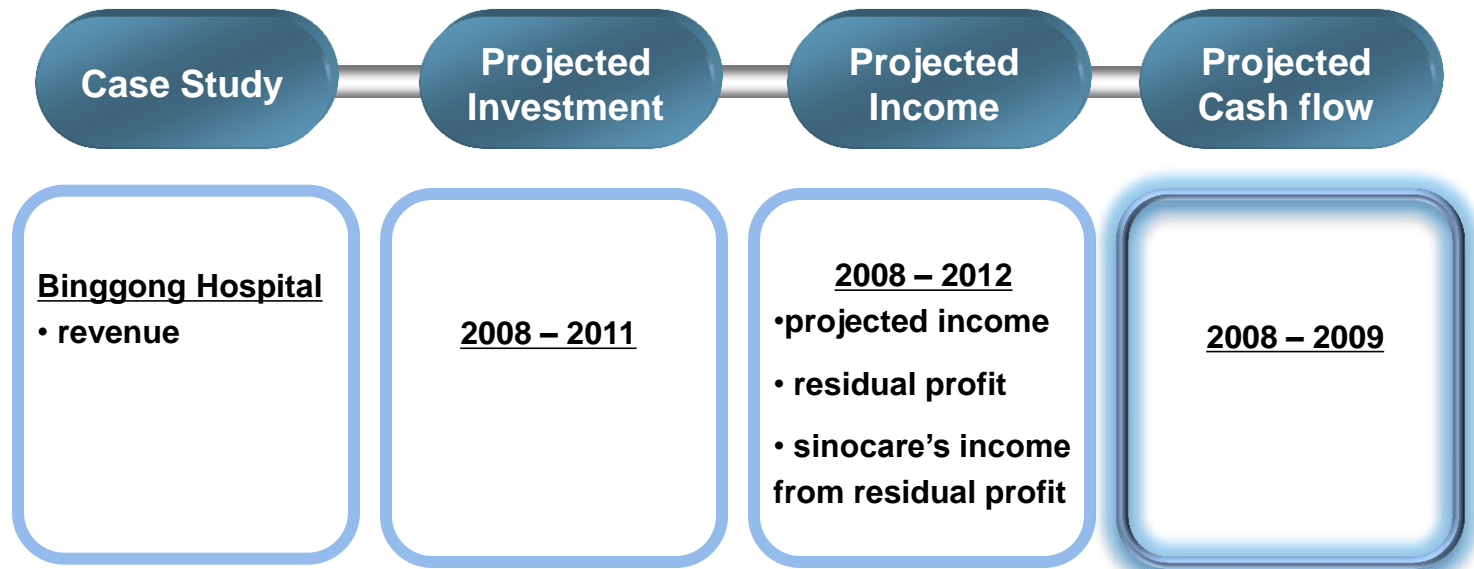


SINOCARE'S INCOME FROM RESIDUAL PROFIT

Unit: US \$ million

Item	2008	2009	2010	2011	2012
Nanchong	0.00	0.03	0.10	0.25	0.36
Dongdu	–	0.07	0.21	0.39	0.56
Xinanbinggong	–	0.08	0.32	0.59	0.95
Jianyang	0.30	0.37	0.52	0.57	0.63
WuhanPuren	0.09	0.07	0.38	0.77	1.24
Maoming	0.20	0.38	0.84	0.93	1.02
Nanjing	0.09	0.07	0.38	0.77	1.24
Handan	0.00	–	0.03	0.12	0.17
total	0.69	1.08	2.79	4.38	6.15

Appendix 4



Projected Cash Flows Statement of SINOCARE 2009

Unit: RMB million

■ Item	6 hospitals	6 hospitals	8 hospitals
	(3+1large+1medium+1small)	(3+2large+1medium)	(3+3large+1medium+1small)
Cash Flows from Operating Activities:			
Cash received from Hospitals	42.28	66.73	88.40
Sub-total of cash inflows	42.28	66.73	88.40
Cash paid for Cost & Expenses	-	-	-
Sub-total of cash outflows	11.98	15.05	19.01
Net cash flows from operating activities	30.30	51.68	69.39
Cash Flows from Investing Activities:	-	-	-
Cash received from return of investments	-	-	-
Sub-total of cash inflows	-	-	-
Cash paid to acquire equity investments	98.00	132.00	190.00
Cash paid to acquire fixed assets,intangible assets	1.00	1.00	1.00
Sub-total of cash outflows	99.00	133.00	191.00
Net cash flows from investing activities	99.00	133.00	191.00
Cash Flows from Financing Activities:	-	-	-
Proceeds from issuing shares	138.00	138.00	138.00
Sub-total of cash inflows	138.00	138.00	138.00
Net cash flows from financing activities	138.00	138.00	138.00
Net Increase in Cash and Cash Equivalents	69.30	56.68	16.39
cash at the beginning of the period	58.70	58.70	58.70
cash at the end of the period	128.00	115.38	75.09

Thank You !