

SUMMARY

This summary provides an overview of the information contained in this prospectus. Because it is a summary, this section does not contain all the information that may be important to you. You should read the prospectus in its entirety, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares.

OUR COMPANY

Introduction

PW Medtech is a medical device company focused on fast-growing and high-margin segments of China's medical device industry. We are a leader in our current business segments of orthopedic implants and advanced infusion sets. We intend to further grow and consolidate our market position in the orthopedic implant and advanced infusion set markets, and potentially expand into other attractive sectors of China's medical device industry.

In the orthopedic implant segment, as of the Latest Practicable Date, we were one of only two major domestic companies with a full product portfolio, including trauma, spine, as well as hip and knee implants. We have the third largest market share among domestic orthopedic implant companies in China (excluding Kanghui and Trauson⁽¹⁾) in terms of sales revenue for the 12 months ended June 30, 2013. In the advanced infusion set segment, we are a pioneer in developing advanced infusion sets in China, which is the largest infusion set market in the world. We have the second largest market share in terms of 2012 sales volume as well as 2012 revenue among advanced infusion set manufacturers in China. Advanced infusion sets consist primarily of precision filter infusion sets, light resistant infusion sets and non-PVC-based infusion sets, which have additional functional or safety features compared with conventional infusion sets. For more information, see "Industry Overview — Overview of the Infusion Set Industry in China — Introduction of Intravenous Therapy — Types of Infusion Sets."

China's orthopedic implant market reached RMB9.54 billion in 2012, and is expected to grow at a CAGR of 18.1% in the next five years. The average gross margin of major domestic orthopedic implant manufacturers was estimated at 69% in 2012. The advanced infusion set market reached 451 million units in 2012, comprising 5.7% of the overall infusion set market, and is expected to grow at a CAGR of 24.5% in the next five years and reach 11.0% of the overall infusion set market in 2017. The average gross margin of major domestic manufacturers of advanced infusion sets was estimated at 64% in 2012.

⁽¹⁾ Kanghui and Trauson were acquired by MNCs in 2012 and 2013, respectively.

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Business Segments and Product Portfolio

The following table sets forth the components of our revenue by business segment for the period indicated.

	For the year ended December 31,					For the six months ended June 30,				
	2010		2011		2012	2012		2013		
	(RMB'000 except percentages)									
	(unaudited)									
Orthopedic implants	60,816	100.0%	75,379	43.0%	97,567	29.4%	45,568	31.3%	71,693	32.8%
Infusion sets	—	—	99,888	57.0	233,974	70.6	100,205	68.7	147,057	67.2
Total	60,816	100.0%	175,267	100.0%	331,541	100.0%	145,773	100%	218,750	100%

Orthopedic Implant Products

Our trauma and spine products are sold under the “Walkman” brand and our joint products under the “Bone (博恩)” brand. In the fast growing segment of hip and knee implants, the major areas of joint implants, we had the second largest number of registration certificates among major domestic companies as of the Latest Practicable Date, with five for hip implants and one for knee implants. The breadth and depth of our product portfolio in orthopedic implants enhance our ability to provide total solutions to hospitals to meet the needs of a broad range of patients. Since 2010, we have commercially launched 25 orthopedic implant products, including our bridge-link combined fixation system, which provides superior fixation stability and can be used in a significantly wider range of bone fractures than many competing products currently available on the market.

The following table sets forth the components of our revenue from orthopedic implant products by product category for the period indicated.

	For the year ended December 31,					For the six months ended June 30,				
	2010		2011		2012	2012		2013		
	(RMB'000 except percentages)									
	(unaudited)									
Trauma products	44,487	73.2%	56,261	74.6%	70,178	71.9%	31,886	70.0%	51,027	71.2%
Spine products	13,229	21.8	15,374	20.4	20,867	21.4	11,100	24.4	11,475	16.0
Joint products	—	—	—	—	—	—	—	—	5,789	8.1
Others ⁽¹⁾	3,100	5.0	3,744	5.0	6,522	6.7	2,582	5.6	3,402	4.7
Total	60,816	100.0%	75,379	100.0%	97,567	100.0%	45,568	100%	71,693	100%

(1) Primarily consisting of (i) associated instruments for trauma and spine products and (ii) joint products which were manufactured by Bone Medical and distributed by us in 2012. We acquired control in Bone Medical in January 2013.

We offer a wide selection of orthopedic implant products with various specifications and our selling prices for different products vary significantly.

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Infusion Sets

Our advanced infusion sets are sold under our “Fert (伏尔特)” brand through our subsidiary Fert Technology, and consist of two principal types: (i) precision filter infusion sets, which prevent insoluble particles in intravenous solutions from entering the blood vessels of patients; and (ii) non-PVC-based infusion sets with double-layer tubing, which eliminate the harmful effects of PVC additives and reduce drug absorption by the infusion set. Capitalizing on these fundamental technology building blocks, we have developed a full portfolio of products with a range of features and applications, such as light resistance and auto air venting.

We acquired Fert Technology on April 30, 2011, and the financial results of Fert Technology have been included in our combined financial information since that date. For purposes of presenting Fert Technology’s results of operation, we refer to the fiscal year ended December 31, 2010 as “Predecessor Period 2010,” the period from January 1, 2011 to April 30, 2011 as “Predecessor Period 2011,” and the period from May 1, 2011 to December 31, 2011 as “Successor Period 2011.” We present these data for information and illustrative purposes only. As we did not control the infusion set business for Predecessor Period 2010 and Predecessor Period 2011, we are not permitted under HKFRSs to include its financial results in our combined financial statements for these periods.

The following table sets forth the components of Fert Technology’s revenue by product category for the period indicated. In Predecessor Period 2010, Predecessor Period 2011, Successor Period 2011, 2012 and the six months ended June 30, 2012 and 2013, Fert Technology’s net profit totaled RMB23.2 million, RMB16.5 million, RMB31.4 million, RMB69.0 million, RMB30.1 million and RMB43.1 million, respectively. The financial results of Fert Technology for Predecessor Period 2010 and Predecessor Period 2011 are derived from Fert Technology’s stand-alone pre-acquisition financial information while the financial results of Fert Technology for Successor Period 2011, 2012 and the six months ended June 30, 2012 and 2013 are derived from the segment financial information of our infusion set business. The combination of the results of the infusion set business with those of the infusion set business for these predecessor periods would not necessarily reflect our financial results had we acquired the infusion set business at any time during the predecessor periods.

	Pre-acquisition				Post-acquisition			
	For the year ended December 31, 2010 (Predecessor Period 2010)	For the period from January 1, 2011 to April 30, 2011 (Predecessor Period 2011)	For the period from May 1, 2011 to December 31, 2011 (Successor Period 2011)	For the year ended December 31, 2012				
	(RMB’000 except percentages)				(RMB’000 except percentages)			
Precision filter infusion sets . . .	85,275	96.0%	34,801	95.4%	95,702	95.8%	221,059	94.5%
Non-PVC-based infusion sets . . .	—	—	—	—	—	—	2,915	1.2
Others ⁽¹⁾	<u>3,534</u>	<u>4.0</u>	<u>1,675</u>	<u>4.6</u>	<u>4,186</u>	<u>4.2</u>	<u>10,000</u>	<u>4.3</u>
Total	<u><u>88,809</u></u>	<u><u>100.0%</u></u>	<u><u>36,476</u></u>	<u><u>100.0%</u></u>	<u><u>99,888</u></u>	<u><u>100.0%</u></u>	<u><u>233,974</u></u>	<u><u>100.0%</u></u>

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	Post-acquisition			
	For the six months ended June 30,			
	2012		2013	
	(RMB'000 except percentages)			
	(unaudited)			
Precision filter infusion sets	95,720	95.5%	137,528	93.5%
Non-PVC-based infusion sets	583	0.6	4,070	2.8
Others ⁽¹⁾	<u>3,902</u>	<u>3.9</u>	<u>5,459</u>	<u>3.7</u>
Total	<u><u>100,205</u></u>	<u><u>100%</u></u>	<u><u>147,057</u></u>	<u><u>100%</u></u>

(1) Primarily consisting of precision filters sold on a stand-alone basis.

The following table sets forth Fert Technology's sales volume and average selling price of our precision filter infusion sets and non-PVC-based infusion sets by product category for the period indicated.

	Pre-acquisition				Post-acquisition							
	For the year ended December 31, 2010 (Predecessor Period 2010)		For the period from January 1, 2011 to April 30, 2011 (Predecessor Period 2011)		For the period from May 1, 2011 to December 31, 2011 (Successor Period 2011)				For the six months ended June 30,			
	(Units)	(RMB)	(Units)	(RMB)	(Units)	(RMB)	(Units)	(RMB)	2012		2013	
	(unaudited)											
Precision filter infusion sets	33,991,676	2.5	9,602,718	3.6	23,552,260	4.1	45,791,861	4.8	22,139,004	4.3	24,772,796	5.6
Non-PVC-based infusion sets	—	—	—	—	—	—	444,952	6.6	120,796	4.8	598,270	6.8

Fert Technology is a pioneer in developing advanced infusion sets as one of the first manufacturers in China to receive CFDA approval to manufacture and market precision filter infusion sets in 1997. As of the Latest Practicable Date, we were one of the only three PRC manufacturers to receive CFDA approval for non-PVC-based infusion sets. We are committed to offering the highest quality infusion products to Chinese patients by using cutting-edge materials and technologies to enhance infusion safety. For instance, our precision filter infusion sets use filters made from nuclepore membranes, which have been shown to be significantly more effective in blocking insoluble particles than the leading alternative filtering materials on the market. For our non-PVC-based infusion sets, we have developed a patented double-layer tubing design, with TPU as the inner tubing and PVC as the outer tubing. TPU is the only type of TPE that has been tested and has met the U.S. FDA's requirements for materials used as infusion tubing, unlike the types of TPE used by the other two CFDA-approved manufacturers. Furthermore, our double-layer tubing design enhances the cost advantage of our non-PVC-based infusion sets, which further strengthens our competitiveness.

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Sales and Distribution

We sell our products primarily through distributors across China, which in turn resell our products to hospitals in their designated territories. Sales to distributors accounted for a substantial majority of our sales during the Track Record Period. We have an extensive and fast-growing nationwide distribution network located across 30 provinces, municipalities and autonomous regions in China. Our distribution network for orthopedic implants primarily covers Class 2 hospitals in tiers II and III cities. In contrast, our distribution network for infusion sets primarily covers Class 3 hospitals in tiers I and II cities in China.

The following table sets forth the number of distributors and hospitals covered by our distribution network as of the date indicated.

	As of December 31,			As of
	2010	2011	2012	June 30, 2013
<i>Orthopedic implants (trauma and spine)</i>				
Distributors	182	207	214	244
Hospitals	1,257	1,300	1,397	1,444
<i>Infusion sets</i>				
Distributors	33	28	182	211
Hospitals	602	765	995	1,113

In general, hospitals will only purchase products which have been approved and adopted through the tendering processes. As part of our service to our distributors, we prepare for and participate in the tendering processes conducted by hospitals and government bureaus rather than the distributors.

Production Facilities

We currently have a total of six production facilities, including three for orthopedic implant products in Tianjin, Anyang (Henan province) and Shenzhen (Guangdong province), and three for infusion sets in Fengtai (Beijing), Shijingshan (Beijing) and Xuzhou (Jiangsu province). As of June 30, 2013, we had an annual production capacity of 1,960,000 units of trauma implants, 230,000 units of spine implants, 8,000 sets of joint implants and 55 million infusion sets. In the six months ended June 30, 2013, the utilization rates of our trauma implant production facilities, spine implant production facilities, joint implant production facilities and infusion set production facilities were 79.6%, 74.0%, 44.4% and 81.5%, respectively. We believe that demand for our products will continue to increase.

From 2013 to 2017, according to the F&S Report, China's markets for orthopedic implants and advanced infusion sets are expected to grow at a CAGR of 18.1% and 24.5%, respectively, supported by a number of favorable industry trends, such as an aging population, increasing import substitution for orthopedic implants and increasing health awareness about

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infusion safety. As a result, we plan to significantly increase our production capacities. We currently have two additional facilities under construction in Linyi, Shandong province and Pinggu, Beijing to expand our production capacity for infusion sets. We are also expanding production capacity for joint products at our facility in Shenzhen which is expected to be completed in 2016. In addition, we plan to expand our facilities in Tianjin beginning in the third quarter of 2014 to expand our production capacity for trauma and spine implant products. For details about our measures to manage our growth, see “Business — Production Facilities — Expansion Plans.”

Financial Track Record

Our business has expanded substantially as both of our orthopedic implant business and infusion set business grew during the Track Record Period. In 2010, 2011 and 2012, our revenue totaled RMB60.8 million, RMB175.3 million and RMB331.5 million, respectively, representing a CAGR of 133.5% over the three years. Our revenue increased by 50.1% from RMB145.8 million in the six months ended June 30, 2012 to RMB218.8 million in the same period in 2013. In 2010, 2011 and 2012, our net profit totaled RMB14.3 million, RMB49.3 million and RMB100.2 million, respectively, representing a CAGR of 164.4% over the three years. Our net profit increased by 35.2% from RMB44.6 million in the six months ended June 30, 2012 to RMB60.2 million in the same period in 2013.

Revenue of our orthopedic implant segment grew from RMB60.8 million in 2010 to RMB97.6 million in 2012, representing a CAGR of 26.7% over the three years. Revenue for this segment increased by 57.3% from RMB45.6 million in the six months ended June 30, 2012 to RMB71.7 million in the same period in 2013. Operating profit of our orthopedic implant segment increased from RMB19.4 million in 2010 to RMB37.6 million in 2012, representing a CAGR of 39.3% over the three years. Operating profit for this segment increased by 29.3% from RMB17.5 million in the six months ended June 30, 2012 to RMB22.6 million in the same period in 2013.

Fert Technology’s revenue increased from RMB88.8 million in 2010 to RMB234.0 million in 2012, representing a CAGR of 62.3% over the three years. Fert Technology’s revenue increased by 46.8% from RMB100.2 million in the six months ended June 30, 2012 to RMB147.1 million in the same period in 2013. Fert Technology’s operating profit increased from RMB27.3 million in 2010 to RMB90.9 million in 2012, representing a CAGR of 82.5% over the three years. Fert Technology’s operating profit increased by 48.0% from RMB38.2 million in the six months ended June 30, 2012 to RMB56.6 million in the same period in 2013.

STRENGTHS AND STRATEGY

We believe that the strengths of our Company that have helped us effectively compete in the industry include (i) leading positions in two fast-growing and high-margin segments of China’s medical device industry; (ii) our product portfolio which is well positioned to capture growth from market opportunities; (iii) our robust near-term product pipeline resulting from our

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strong research and development capabilities; (iv) our professional sales and marketing team managing an extensive nationwide distribution network; (v) proven capabilities of identifying acquisition opportunities and executing our growth strategy; together with (vi) our seasoned and dedicated management team.

We intend to grow and consolidate our market position in the orthopedic implant and advanced infusion set markets, and potentially expand into other attractive sectors of China's medical device industry by (i) broadening and deepening our product portfolio; (ii) increasing production capacity and continuing to improve production efficiency; (iii) expanding our distribution network; and (iv) pursuing strategic acquisitions to complement our growth.

OUR CHALLENGES

We face a number of challenges in our business and industry. In particular, the infusion set market and orthopedic implant market in the PRC are highly competitive, and we face direct competition from both domestic companies and MNCs in China. In addition, executing our growth strategies could place considerable strain on our managerial, operational and financial resources. We also depend on distributors for a substantial portion of our revenue and our revenue growth, and we may be unable to maintain or renew relationships with our distributors, replace underperforming distributors, or add new distributors to expand our distribution network. Furthermore, if we are unable to successfully develop new products or expand our product line, our business, financial condition, results of operations and prospects may be materially and adversely affected.

For more details of the risks and uncertainties that we face, see the section headed "Risk Factors."

RECENT DEVELOPMENTS

To the best of our knowledge, there has been no material change in the general economic and market conditions in China or the industry in which we operate that materially and adversely affected our business, results of operations or financial condition since July 1, 2013. Based on our unaudited financial statements for the eight months ended August 31, 2013, our revenue and gross profit increased by 33.1% and 39.1%, respectively, to RMB292.1 million and RMB196.2 million, respectively, compared to the same period in 2012. The financial information as mentioned above was extracted from the unaudited condensed consolidated financial statements for the eight months ended August 31, 2013 prepared by our Directors in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA, which were reviewed by the reporting accountant of our Company, with reference to the principles set out in Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The comparative financial information for the eight months ended August 31, 2012 has not been reviewed.

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We incurred listing expenses (excluding underwriting commissions) of RMB16.3 million during the eight months ended August 31, 2013, of which RMB12.2 million was recognized as administrative expenses and RMB4.1 million was capitalized as deferred listing expenses that are expected to be charged against equity upon successful listing under the relevant accounting standards. We expect to incur further listing expenses (excluding underwriting commissions) of approximately RMB16.7 million, of which RMB12.5 million will be recognized as administrative expenses and RMB4.2 million will be charged against equity in the remaining four months ending December 31, 2013. We do not believe the remaining expenses will have a material impact on our results of operations for 2013.

Our Directors confirm that, there had been no material adverse change in the financial or trading position, indebtedness or prospects of our Group since August 31, 2013 up to the Latest Practicable Date.

CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which have been granted under the Pre-IPO Share Option Scheme or may be granted under the Share Option Scheme), Ms. Yufeng LIU and Cross Mark will hold approximately 34.19% of the post offering enlarged issued share capital of our Company and hence will continue to be the ultimate Controlling Shareholder of our Company. Our ultimate Controlling Shareholder confirms that she does not have any interest in any business which competes or is likely to compete, directly or indirectly, with our business and which would require disclosure under Rule 8.10 of the Listing Rules.

SHARE OPTION SCHEMES

Pursuant to the resolutions of our shareholders passed on July 3, 2013 and October 14, 2013, we have conditionally adopted the Pre-IPO Share Option Scheme (which was amended on October 14, 2013) and the Share Option Scheme, respectively.

The principal terms of these share option schemes are set out in the sections headed “Pre-IPO Share Option Scheme” and “Share Option Scheme,” respectively, in Appendix IV to this prospectus. As of the Latest Practicable Date, options to subscribe for an aggregate of 70,891,722 Shares had been conditionally granted under the Pre-IPO Share Option Scheme by our Company and remained outstanding. The exercise price in respect of each option granted under the Pre-IPO Share Option Scheme will be equal to 10 times the quotient of the net profit of our Company for the year ended December 31, 2012 divided by the number of Shares in issue immediately following the completion of the Global Offering.

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The options under the Pre-IPO Share Option Scheme vest in four equal tranches, with the first vesting day falling on the day immediately following the expiry of six months after the Listing Date. The second, third and last vesting days will fall on the first, second and third anniversaries, respectively, of the first vesting day. Further details of the conditions for vesting are set out in Appendix IV to this prospectus.

The Shares subject to the options granted under the Pre-IPO Share Option Scheme represent (i) approximately 4.43% of our issued share capital immediately after completion of the Global Offering (excluding all Shares which may be allotted and issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme or to be granted under the Share Option Scheme or the exercise of the Over-allotment Option); and (ii) approximately 4.24% of our issued share capital immediately after completion of the Global Offering (assuming that all options granted under the Pre-IPO Share Option Scheme are exercised, but without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option).

The total number of Shares immediately following completion of the Global Offering (assuming the Over-allotment Option and any options granted under the Share Option Scheme are not exercised) would be diluted by 4.24% upon the exercise in full of the options granted under the Pre-IPO Share Option Scheme.

Further, assuming that 1,600,000,000 Shares were in issue as if the Global Offering has been completed on January 1, 2012 but takes no account of any Shares which may fall to be issued upon the exercised of the Over-allotment Option or of any Shares which may be issued upon the exercise of any option which may be granted under Pre-IPO Share Option Scheme or the Share Option Scheme or any Shares which may be granted and issued or repurchased by our Company pursuant to the General Mandate and the Repurchase Mandate, the diluted earnings per Share for profit attributable to owners of our Company for the year ended December 31, 2012 would be approximately RMB0.0279, and based on the same assumption above and further assuming that all the options granted under the Pre-IPO Share Option Scheme in respect of 70,891,722 Shares were exercised in full on January 1, 2012, the diluted earnings per Share for profit attributable to owners of our Company for the year ended December 31, 2012 would be approximately RMB0.0267.

In addition, we may issue additional Shares upon the exercise of options which may be granted under the Share Option Scheme. In such case, the percentage ownership of our existing shareholders may be reduced and they may experience dilution of their proportionate interests in our Company. There may also be a dilution in the earnings per Share and net asset value per Share as a result of the increase in the number of Shares after the issue of any additional Shares pursuant to the exercise of the aforesaid options.

For the eight months ended August 31, 2013, we had incurred expenses in connection with the pre-IPO share options of RMB4.1 million.

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Our Directors have undertaken to us that they will not exercise options granted under the Pre-IPO Share Option Scheme to such extent that the Shares held by the public (as defined in the Listing Rules) after the Global Offering will fall below the required percentage set out in Rule 8.08 of the Listing Rules or such other percentage as approved by the Stock Exchange from time to time.

SUMMARY FINANCIAL INFORMATION

You should read the summary historical combined financial information set forth below in conjunction with our combined financial information included in the Accountant's Report set forth in Appendix I to this prospectus, which is prepared in accordance with HKFRSs, together with the accompanying notes thereto. Operating results in any historical period may not be indicative of the results that may be expected in any future period.

Combined Income Statements

	<u>For the year ended December 31,</u>						<u>For the six months ended June 30,</u>			
	<u>2010</u>		<u>2011</u>		<u>2012</u>		<u>2012</u>		<u>2013</u>	
	<u>% of</u>	<u>% of</u>	<u>% of</u>	<u>% of</u>	<u>% of</u>	<u>% of</u>	<u>% of</u>	<u>% of</u>	<u>% of</u>	
	<u>total</u>	<u>total</u>	<u>total</u>	<u>total</u>	<u>total</u>	<u>total</u>	<u>total</u>	<u>total</u>	<u>total</u>	<u>total</u>
	<u>Amount</u>	<u>revenue</u>	<u>Amount</u>	<u>revenue</u>	<u>Amount</u>	<u>revenue</u>	<u>Amount</u>	<u>revenue</u>	<u>Amount</u>	<u>revenue</u>
(RMB'000 except percentages)										
(unaudited)										
Revenue	60,816	100.0%	175,267	100.0%	331,541	100.0%	145,773	100.0%	218,750	100.0%
Cost of sales	<u>(16,629)</u>	<u>(27.3)</u>	<u>(66,150)</u>	<u>(37.7)</u>	<u>(112,694)</u>	<u>(34.0)</u>	<u>(54,521)</u>	<u>(37.4)</u>	<u>(71,360)</u>	<u>(32.6)</u>
Gross profit	44,187	72.7	109,117	62.3	218,847	66.0	91,252	62.6	147,390	67.4
Selling expenses	(13,071)	(21.5)	(23,405)	(13.4)	(46,821)	(14.1)	(17,900)	(12.3)	(28,542)	(13.0)
Administrative expenses . . .	(10,621)	(17.5)	(17,708)	(10.1)	(35,603)	(10.7)	(14,668)	(10.1)	(33,272)	(15.2)
Research and development expenses	(1,153)	(1.9)	(7,064)	(4.0)	(9,512)	(2.9)	(4,651)	(3.2)	(6,614)	(3.0)
Other gains — net	<u>30</u>	<u>0.0</u>	<u>866</u>	<u>0.5</u>	<u>1,570</u>	<u>0.5</u>	<u>1,687</u>	<u>1.2</u>	<u>251</u>	<u>0.1</u>
Operating profit	19,372	31.9	61,806	35.3	128,481	38.8	55,720	38.2	79,213	36.2
Finance income	38	0.1	201	0.1	329	0.1	71	0.1	247	0.1
Finance costs	<u>(2,142)</u>	<u>(3.5)</u>	<u>(4,679)</u>	<u>(2.7)</u>	<u>(9,089)</u>	<u>(2.7)</u>	<u>(3,377)</u>	<u>(2.3)</u>	<u>(5,116)</u>	<u>(2.3)</u>
Finance costs — net	(2,104)	(3.5)	(4,478)	(2.6)	(8,760)	(2.6)	(3,306)	(2.2)	(4,869)	(2.2)
Profit before income tax . .	17,268	28.4	57,328	32.7	119,721	36.1	52,414	36.0	74,344	34.0
Income tax expense	<u>(2,936)</u>	<u>(4.8)</u>	<u>(7,982)</u>	<u>(4.6)</u>	<u>(19,538)</u>	<u>(5.9)</u>	<u>(7,845)</u>	<u>(5.4)</u>	<u>(14,104)</u>	<u>(6.4)</u>
Profit for the year/period . .	<u>14,332</u>	<u>23.6%</u>	<u>49,346</u>	<u>28.2%</u>	<u>100,183</u>	<u>30.2%</u>	<u>44,569</u>	<u>30.6%</u>	<u>60,240</u>	<u>27.5%</u>

Our return on equity ratio, which is defined as profit attributable to owners of our Company for a given period divided by the average equity attributable to owners of our Company for such period, was 20.3%, 30.8%, 20.2% and 9.8% in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. See “— Key Financial Ratios” for more information.

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Summary Results of Operations of Orthopedic Implant Segment

	For the year ended December 31,						For the six months ended June 30,			
	2010		2011		2012		2012		2013	
	Amount	% of segment revenue	Amount	% of segment revenue	Amount	% of segment revenue	Amount	% of segment revenue	Amount	% of segment revenue
	(RMB'000 except percentages)									
	(unaudited)									
Segment revenue	60,816	100.0%	75,379	100.0%	97,567	100.0%	45,568	100.0%	71,693	100.0%
Gross profit	44,187	72.7	54,921	72.9	73,681	75.5	33,710	74.0	50,215	70.0
Segment operating profit	19,372	31.9%	22,521	29.9%	37,576	38.5%	17,476	38.4%	22,601	31.5%

The following table sets forth the gross profit and gross margin of orthopedic implants by product category for the period indicated.

	For the year ended December 31,						For the six months ended June 30,			
	2010		2011		2012		2012		2013	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	(RMB'000 except percentages)									
	(unaudited)									
Trauma products	33,792	76.0%	42,564	75.7%	54,994	78.4%	24,561	77.0%	37,547	73.6%
Spine products	9,746	73.7	11,427	74.3	16,543	79.3	8,499	76.6	8,488	74.0
Joint products	—	—	—	—	—	—	—	—	3,041	52.5
Others	649	21.0	930	24.8	2,144	32.9	650	25.2	1,139	33.5
Total	44,187	72.7%	54,921	72.9%	73,681	75.5%	33,710	74.0%	50,215	70.0%

Summary Results of Operations of Infusion Set Segment

	Pre-acquisition				Post-acquisition			
	For the year ended December 31, 2010 (Predecessor Period 2010)		For the period from January 1, 2011 to April 30, 2011 (Predecessor Period 2011)		For the period from May 1, 2011 to December 31, 2011 (Successor Period 2011)		For the year ended December 31, 2012	
	Amount	% of segment revenue	Amount	% of segment revenue	Amount	% of segment revenue	Amount	% of segment revenue
	(RMB'000 except percentages)				(RMB'000 except percentages)			
Segment revenue	88,809	100.0%	36,476	100.0%	99,888	100.0%	233,974	100.0%
Gross profit	37,352	42.1	20,057	55.0	54,196	54.3	145,166	62.0
Segment operating profit	27,291	30.7%	19,332	53.0%	39,285	39.3%	90,905	38.9%

SUMMARY

	Post-acquisition			
	For the six months ended June 30,			
	2012		2013	
	Amount	% of revenue segment	Amount	% of revenue segment
	(RMB'000 except percentages) (unaudited)			
Segment revenue	100,205	100.0%	147,057	100.0%
Gross profit	57,542	57.4	97,175	66.1
Segment operating profit	38,244	38.2%	56,612	38.5%

The following table sets forth the gross profit and gross margin of Fert Technology by product category for the period indicated.

	Pre-acquisition				Post-acquisition			
	For the year ended December 31, 2010 (Predecessor Period 2010)		For the period from January 1, 2011 to April 30, 2011 (Predecessor Period 2011)		For the period from May 1, 2011 to December 31, 2011 (Successor Period 2011)		For the year ended December 31, 2012	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	(RMB'000 except percentages)				(RMB'000 except percentages)			
Precision filter infusion sets	34,923	41.0%	19,071	54.8%	50,649	52.9%	135,708	61.4%
Non-PVC-based precision infusion sets	—	—	—	—	—	—	1,923	66.0
Others	2,430	68.8	986	58.9	3,547	84.7	7,535	75.4
Total gross profit/gross margin	<u>37,352</u>	<u>42.1%</u>	<u>20,057</u>	<u>55.0%</u>	<u>54,196</u>	<u>54.3%</u>	<u>145,166</u>	<u>62.0%</u>

	Post-acquisition			
	For the six months ended June 30,			
	2012		2013	
	Gross profit	Gross margin	Gross profit	Gross margin
	(RMB'000 except percentages) (unaudited)			
Precision filter infusion sets	54,224	56.7%	90,981	66.2%
Non-PVC-based precision infusion sets	338	58.0	2,692	66.1
Others	2,980	76.4	3,502	64.1
Total gross profit/gross margin	<u>57,542</u>	<u>57.4%</u>	<u>97,175</u>	<u>66.1%</u>

SUMMARY

Selected Combined Balance Sheets

	As of December 31,			As of June 30,
	2010	2011	2012	2013
	(RMB'000)			
Non-current assets	56,386	349,549	471,598	574,945
Current assets	110,581	192,611	449,715	439,679
Current liabilities	38,441	185,901	387,823	227,773
Net current assets	72,140	6,710	61,892	211,906
Total assets less current liabilities	128,526	356,259	533,490	786,851
Total non-current liabilities	—	103,011	8,789	19,040
Net assets	128,526	253,248	524,701	767,811

Selected Combined Cash Flow Statements

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
	(RMB'000)			(unaudited)	
Net cash flows from/(used in) operating activities	11,735	15,713	24,906	(327)	31,494
Net cash flows used in investing activities	(24,002)	(246,714)	(117,581)	(8,464)	(28,545)
Net cash flows from/(used in) financing activities	63,336	230,001	244,030	(8,000)	(73,010)
Net increase/(decrease) in cash and cash equivalents	<u>51,069</u>	<u>(1,000)</u>	<u>151,355</u>	<u>(16,791)</u>	<u>(70,061)</u>
Cash and cash equivalents at beginning of year/period	13,308	62,750	61,142	61,142	212,466
Exchange losses on cash and cash equivalents	(1,627)	(608)	(31)	(31)	(213)
Cash and cash equivalents at end of year/period	62,750	61,142	212,466	44,320	142,192

SUMMARY

Recognition of Goodwill

In connection with the acquisition of subsidiaries during the Track Record Period, we recognized significant goodwill, which represents the excess of the consideration transferred over our interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiaries and the fair value of the non-controlling interest in the acquired subsidiaries.

We recognized goodwill of approximately RMB148.0 million in connection with our acquisition of Fert Technology, primarily due to (i) our increased ability to gain access and operate in the fast growing PRC advanced infusion sets market through the acquisition of Fert Technology; (ii) its leading market position in the advanced infusion set market and geographical coverage; (iii) its skilled workforce which benefited the acquired business; and (iv) expected synergies with our existing business, with which we expected to be able to increase the profitability and future return of the acquired business. We recognized goodwill of RMB101.7 million in connection with our acquisition of Bone Medical and Yijia Medical, primarily due to (i) the skilled workforce which will benefit for the acquired business; and (ii) synergies, such as competent management at group level, established networks in industry and established reputation, with which we would be able to increase the profitability and future return of Bone Medical and Yijia Medical's business.

We test goodwill for impairment annually, or more frequently if events or circumstances indicate that goodwill might be impaired at the end of each reporting period. Examples of such events or circumstances include, but are not limited to, a significant adverse change in legal or business climate, an adverse regulatory action or unanticipated competition.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The calculation of value-in-use requires the use of estimates of gross margin, terminal growth rate, and discount rate, among other factors. We believe that no impairment charge was required against goodwill arising from acquisitions during the Track Record Period. Based on our testing, with respect to our regarding infusion set business or orthopedic implants business, had the gross margin been 10% lower with other assumptions held constant, or had the terminal growth rate been 1% lower with other assumptions held constant, or had the discount rate been 1% higher with other assumptions held constant, no impairment charge would be required against our goodwill for the Track Record Period.

SUMMARY

KEY FINANCIAL RATIOS

The following table sets forth our certain key financial ratios as of the date or for the period indicated.

	As of and for the year ended December 31,			As of and for
	2010	2011	2012	the six months ended June 30, 2013
Return on equity ⁽¹⁾	20.3%	30.8%	20.2%	9.8%
Current ratio ⁽²⁾	2.9	1.0	1.2	1.9
Debt to equity ratio ⁽³⁾	29.9%	114.1%	75.6%	32.1%
Gearing ratio ⁽⁴⁾	5.2%	45.6%	20.8%	12.7%

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- (1) Profit attributable to owners of our Company for the period, divided by average equity attributable to owners of our Company at the beginning of the period plus the number at the end of the period.
- (2) Current assets divided by current liabilities.
- (3) Total liabilities divided by total equity.
- (4) Total borrowings (bank borrowing plus amounts due to related parties of non-trade nature), divided by total capital. Total capital is calculated as total equity plus total borrowings.

Our return on equity increased from 20.3% in 2010 to 30.8% in 2011, which primarily reflected our acquisition of Fert Technology in April 2011 and our improved business performance with increased profit. Our return on equity decreased from 30.8% in 2011 to 20.2% in 2012, primarily because we received a total of RMB285.7 million in cash capital contribution at the end of 2012, which contributed to a significant increase in equity attributable to owners of our Company, partially offset by improved business performance with increased net profit in 2012. Our return on equity was 9.8% in the six months ended June 30, 2013, primarily because we recorded a total of RMB556 million in share premium as a result of share issuances to Cross Mark, Sparkle Wealthy and Right Faith from February to May in 2013, which contributed to a significant increase in equity attributable to owners of our Company, partially offset by our increased net profit in the six months ended June 30, 2013.

For more discussion on our key financial ratios, see “Financial Information — Key Financial Ratios.”

SUMMARY

USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised and assuming the Offer Price is fixed at HK\$2.99 per Share (being the mid-point of the indicative range of the Offer Price of HK\$2.60 to HK\$3.38 per Share), we estimate that the net proceeds of the Global Offering, after deducting the estimated underwriting fees and expenses payable by us in connection with the Global Offering, will be approximately HK\$1,118.5 million.

We intend to use the net proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 50% of the net proceeds, or HK\$559.2 million, to expand our manufacturing capacity and invest in research and development of new products, consisting of (i) approximately 25%, or HK\$279.6 million, to purchase manufacturing equipment and complete the construction of our new manufacturing facilities for infusion sets in Beijing and Shandong; (ii) approximately 17%, or HK\$190.1 million, to expand the production capacity of our orthopedic implant facilities in Shenzhen and Tianjin; and (iii) approximately 8%, or HK\$89.5 million, to invest in research and development of new products;
- approximately 30% of the net proceeds, or HK\$335.5 million, to implement our expansion plans, which include making acquisitions and forming strategic alliances;
- approximately 10% of the net proceeds, or HK\$111.8 million, to expand our distribution network and sales and marketing team, including hiring specialist sales staff; and
- any remaining balance of up to approximately 10% of the net proceeds, or HK\$111.8 million, to be used for additional working capital and other general corporate purposes.

See “Future Plans and Use of Proceeds” for further information.

SUMMARY

DIVIDEND POLICY

We will not declare or pay any dividends other than from distributable profit attributable to equity holders. Our shareholders may approve the declaration of dividends in a general meeting, but the amount may not exceed the amount recommended by our Directors. Our Directors may from time to time also declare interim dividends as they deem appropriate.

The amount of any dividends to be declared or paid in the future will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital requirements, the amount of distributable profits based on our articles of association, the Companies Law, applicable laws and regulations and other relevant factors.

OFFERING STATISTICS⁽¹⁾

	<u>Based on an Offer Price of HK\$3.38 per Share</u>	<u>Based on an Offer Price of HK\$2.60 per Share</u>
Market capitalization of our Company upon completion of the Global Offering ⁽²⁾	HK\$5,408 million	HK\$4,160 million
Unaudited pro forma adjusted net tangible asset value per Share ⁽³⁾	HK\$1.08	HK\$0.89

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- (1) All statistics in this table are presented based on the assumption that options granted under the Pre-IPO Share Option Scheme or Share Option Scheme and the Over-allotment Option are not exercised.
 - (2) The calculation of market capitalization is based on 1,600,000,000 Shares expected to be issued and outstanding following the completion of the Global Offering.
 - (3) The unaudited pro forma adjusted combined net tangible asset value per Share is arrived at after the adjustments referred to in the section entitled “Appendix II — Unaudited Pro Forma Financial Information” and on the basis of 1,600,000,000 Shares expected to be issued and outstanding following the completion of the Global Offering.