You should carefully read and consider all of the risks and uncertainties described below before deciding to make any investment in our Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties, and you may lose part or all of your investment.

RISKS RELATING TO OUR BUSINESS

Failure to manage our growth could strain our managerial, operational and financial resources, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Our current business strategy includes broadening our product portfolio, increasing our production capacity, expanding our distribution network and pursuing strategic acquisitions. Executing these components of our strategy could place considerable strain on our managerial, operational and financial resources. In particular, the management of our growth will require, among other things:

- strengthening of financial and management controls in an efficient and effective manner;
- enhancement of information technology systems;
- increased marketing, sales and sales support activities;
- identifying suitable acquisition targets and potential business partners;
- continued enhancement of our research and development capabilities;
- raising adequate capital to fund our operations; and
- hiring and training of new personnel.

If we are unable to effectively manage our growth and implement these components of our business strategy, our business, financial condition, results of operations and prospects would be materially and adversely affected.

Our business is subject to intense competition, which may reduce demand for our products and materially and adversely affect our results of operations and prospects.

The orthopedic implant market and infusion set market in the PRC are highly competitive, and we expect competition to intensify. We face direct competition from both domestic and MNCs in China across most of our product lines. We compete based on factors including quality, reliability, product functionality and design, brand recognition, customer support, reputation as well as price. Some of our competitors may have:

- greater financial and other resources;
- larger variety of products;
- greater pricing flexibility;
- more extensive research and development and technical capabilities;
- patent portfolios that may present an obstacle to our conduct of business;
- stronger brand recognition;
- larger distribution and sales networks; or
- better support in terms of technical training or, in the case of orthopedic implant business, surgical instruments provided.

As a result, we may be unable to offer products similar to, or more desirable than, those offered by our competitors, market our products as effectively as our competitors or otherwise respond successfully to competitive pressures. In addition, our competitors may be able to offer discounts on competing products as part of a "bundle" of non-competing products and services that they sell to customers, and we may not be able to profitably match those discounts. Furthermore, our competitors may develop technologies and products that are more effective than those we currently offer or that render our products obsolete or uncompetitive. In addition, the timing of the introduction of competing products into the market could affect the market acceptance and market share of our products. Our failure to compete successfully could materially and adversely affect our business, financial condition, results of operations and prospects.

Moreover, some of our MNC competitors have strengthened their market position through acquisitions of Chinese domestic manufacturers. If we are unable to develop competitive products, obtain regulatory approval or clearance and supply sufficient quantities to the market as quickly and efficiently as our competitors, market acceptance of our products may be limited, which could result in decreased sales.

We are subject to anti-corruption laws in China. Our failure to comply with these laws could result in penalties which could harm our reputation and have a material and adverse effect on our business, financial condition or results of operations.

We operate in the medical device industry in China and generally sell our products through distributors to hospitals. We are subject to anti-corruption laws of China which generally prohibit companies and their intermediaries from making improper payments to public officials, surgeons, hospital personnel or other decision-makers for the purpose of obtaining or keeping business and/or other benefits, along with various other anti-corruption laws. We have implemented policies and procedures designed to ensure that we, our employees, distributors and other intermediaries comply with applicable anti-corruption laws of China. These measures include organizing internal training programs conducted by outside experts, implementing internal policy governing our employees, and including standard anti-bribery provisions in our employee handbook. To minimize our exposure to improper conduct by our distributors, we conduct background checks on prospective distributors before entering into business relationships with them. We also include standard anti-bribery provisions in our distribution agreements requiring that our distributors not engage in any improper conduct in violation of anti-corruption laws. We cannot assure you, however, that our employees, distributors and other intermediaries will observe our policies and procedures at all times. If we are not in compliance with anti-corruption laws in China governing the conduct of business with government entities (including local laws), we may be subject to criminal and civil penalties and other remedial measures, which could cause reputation damage and have a material and adverse impact on our business, financial condition or results of operations.

If we are unable to successfully develop new products or expand our product lines, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our success depends on our ability to anticipate industry trends and identify, develop and market new and advanced products that meet our customers' demand in a timely manner. Since 2010, we have developed and commercially launched 25 orthopedic implant products and non-PVC-based infusion sets. We plan to launch approximately 19 new products by June 2014 and expand our product portfolio to include more joint implant products and infusion sets with additional advanced features. We expect the orthopedic implant market and infusion set market to evolve toward newer and more advanced products, some of which we do not currently produce.

Developing new products in a timely manner can be time-consuming and costly. Based on our experience, the product development process is a lengthy process that may take two to three years before a new product is commercially launched. There is no assurance that our product development projects can be completed within the anticipated time frame and our research and development efforts may not lead to new products that are commercially successful. We may also experience delays or be unsuccessful in any stage of product

development, manufacturing, clinical trials or product registration. We may not be able to successfully market our new products or our end customers may not be receptive to our new products. Our competitors' product development capabilities may be more effective than ours, and thus enable them to launch their new products earlier than us and produce more effective products or on a more cost-efficient basis. The introduction of new products by our competitors may result in price reductions on our products or reduced margins or loss of market share, and may lead to our products becoming obsolete or noncompetitive. If our products become less marketable or obsolete due to the introduction of new products by us or our competitors, we may be required to recognize impairment provision on our products, which could materially and adversely affect our business, results of operations and financial condition. In addition, certain manufacturers of orthopedic implant products in more developed markets offer customized products based on the specific needs of individual patients. If it becomes an industry trend for orthopedic implants manufacturers to offer customized products in the PRC market, we would be required to invest significant capital and other resources to purchase additional advanced machinery, upgrade our production facilities and strengthen our research and development efforts to enable us to offer customized products in a timely manner. However, there is no assurance that our efforts will be successful and yield results as we expect.

Our new products may impact our gross margins depending on the level of market acceptance and pricing environment for each product. The success of any of our new product offerings will depend on several factors, including our ability to:

- properly identify and anticipate industry trends and market demand;
- optimize our manufacturing and procurement processes to predict and control costs;
- manufacture and deliver new products in a timely manner;
- minimize the time and costs required to obtain required regulatory clearances or approvals;
- anticipate and compete effectively with other infusion set and orthopedic implant developers, manufacturers and marketers;
- price our products competitively; and
- increase end customer awareness and acceptance of our new products.

If we are unable to successfully develop new products or expand our product portfolio, our business, financial condition, results of operation and prospects may be materially and adversely affected.

If we fail to successfully identify, acquire or complete acquisitions, or realize the anticipated benefits of our past and potential future acquisitions or investments or be able to integrate any acquired employees, businesses or products, our growth and prospects may be adversely affected.

A key component of our business strategy is to pursue strategic acquisitions in China's medical device industry to complement our business, product lines, customer base and geographic coverage. Our ability to grow through acquisitions depends upon our ability to identify and complete suitable acquisitions as well as our ability to obtain necessary financing and any required governmental or third party consents, approvals and permits in a timely manner. Even if we complete acquisitions, we may experience:

- difficulties in integrating any acquired companies, technologies, personnel or products into our existing business;
- challenges in procuring and allocating resources to fund our expansion;
- failure to achieve the intended objectives or benefits, or to generate sufficient revenue to recover the costs and expenses, of an acquisition or expansion plan;
- difficulties in implementing management and internal control mechanisms that timely and adequately respond to our expanded scope of operations;
- diversion of resources and management attention from our existing business;
- increased cost resulting from acquisitions including assumption of legal liabilities, potential write-offs related to the impairment of goodwill and amortization expenses related to intangible assets; and
- the cost of and difficulties in integrating acquired businesses and managing a larger business; and difficulties in retaining key employees of the acquired business who are essential to manage the acquired business.

If we offer products that are significantly different from our existing products or operate in a market new to us, the foregoing risks may increase because of our limited experience in operating such business or market. Our failure to address these risks successfully may have a material and adverse effect on our financial condition, results of operations and prospects.

If we are unable to obtain adequate supplies of the required materials, parts and manufacturing equipment that meet our production standards at acceptable costs, our ability to deliver products with the required quality at the required time could be affected, which could materially and adversely affect our business, financial condition and results of operations.

We purchase raw materials, parts, manufacturing equipment from a limited number of third party suppliers. The purchases from our five largest suppliers accounted for 36.8%, 34.3%, 14.7%, 22.0% and 17.7% of our total cost of sales in 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013, respectively. If the supply of raw materials, parts and manufacturing equipment is interrupted, our manufacturing processes would be delayed. We may also be unable to secure alternative supply sources in a timely and cost effective manner, if at all. In particular, we rely on two suppliers for the supply of nuclepore membranes which are a key component of our infusion sets. If these suppliers fail to supply sufficient amount of nuclepore membranes, the production of our infusion sets may be materially and adversely affected.

In addition, the prices of our principal raw materials, such as PVC granules and titanium alloy, are subject to fluctuation. Our ability to pass on any increase in raw material costs to our customers is limited. Significant increases in the prices of raw materials, parts and manufacturing equipment have a direct and negative impact on our profit margins. If we are unable to obtain adequate supplies of required materials and components that meet our production standards at acceptable costs or at all, our ability to accept and fulfill product orders with the required quality and at the required time could be affected. This could harm our reputation, reduce our revenue or profit margins, and cause us to lose market share, each of which could materially and adversely affect our business, financial condition and results of operations.

We depend on distributors for a substantial portion of our revenue and our revenue growth. We may be unable to maintain or renew relationships with our distributors, replace underperforming distributors, or add new distributors to expand our distribution network. And we may not be able to continue to obtain orders from our distributors at the current levels. We may also be unsuccessful in competing for desired distributors to promote and sell our products. Any of these events would materially and adversely affect our business, financial condition, results of operations and prospects.

A substantial majority of our sales during the Track Record Period were made to our distributors directly. As of June 30, 2013, we had 211 distributors for infusion set products and 244 distributors for orthopedic implant products. Our five largest distributors accounted for approximately 16.3%, 54.5%, 51.4%, 61.1% and 25.6% of our total revenue in 2010, 2011, 2012 and the six months ended June 30, 2012 and 2013, respectively. During the same periods,

our largest distributor accounted for approximately 4.8%, 44.7%, 42.7%, 50.5% and 14.6% of our total revenue. We expect we will continue to rely on adding distributors for our revenue growth.

We generally do not enter into long-term distribution agreements. As our existing distribution agreements expire, we may not be able to renew such agreements with our preferred distributors on terms favorable to us or at all. In addition, we seek to limit the ability of our distributors to sell our competitors' products, which may make us less attractive to some large distributors.

Any decline in our major distributors' businesses could lead to a decline in purchase orders from these distributors. If any of our major distributors was to substantially reduce the size or amount of the orders they place with us or were to terminate their business relationship with us entirely, we may not be able to obtain orders from other customers to replace any such lost sales on comparable terms or at all. As a result, our business, financial condition and results of operations may be materially and adversely affected.

In addition, competition for distributors is intense. We compete for desired distributors with other leading medical device manufacturers and importers that may have greater visibility, brand recognition and financial resources, and a broader product portfolio than we do. Our competitors may enter into exclusive distribution agreements that restrict their distributors from selling our products. Consequently, maintaining relationships with existing distributors and replacing distributors may be difficult and time consuming. Any disruption of our distribution network, including our failure to renew our existing distribution agreements with our preferred distributors, could negatively affect our ability to effectively sell our products and would materially and adversely affect our business, financial condition and results of operations.

We may be unable to effectively manage our network of distributors, and our business, prospects and brand may be materially and adversely affected by actions taken by our distributors.

We have limited ability to manage the activities of our distributors, who are independent from us. Our distributors could take actions, including one or more of the following, which could have a material adverse effect on our business, prospects and brand:

- failing to meet the sales targets for our products in accordance with relevant agreements;
- selling products that compete with our products;
- selling our products outside their designated territories;
- failing to adequately promote our products;

- failing to maintain the requisite license or otherwise failing to comply with applicable regulatory requirements when selling our products;
- failing to provide proper training, surgical instruments and services to hospitals; or
- violating anti-corruption and other laws of China.

In addition, a substantial portion of our trade receivables at any given time typically represent amounts due from our distributors. Consequently, our cash flows depend on timely receipt of payments from distributors. As a result, increasing bargaining power of our distributors may lead to long settlement period of trade receivables which may in turn adversely affect our liquidity position and financial condition.

We may be unable to expand our production capacity and ramp up our operations as anticipated, which could result in material delay, increased costs and lost business opportunities.

We are in the process of substantially expanding our production capacity with new production facilities in Shandong, Beijing and Shenzhen. In addition, we recently acquired a facility for our infusion set business in Xuzhou, Jiangsu province in May 2013. Our facilities in Linyi, Shandong province, are currently under construction, and we expect to complete construction and begin production in the second half of 2014. We plan to reach an annual production capacity of 100 million precision filter infusion sets at these facilities by the end of 2015 and further expand their annual production capacity to 200 million precision filter infusion sets by the end of 2018. We have another production facility under construction in Pinggu, Beijing, and we expect to complete construction and begin production at this facility in the fourth quarter of 2016. The new facilities at our newly acquired Bone Medical business in Shenzhen are expected to be completed by the end of 2016. We also plan to expand our facilities in Tianjin beginning in the third quarter of 2014 and expect to complete the expansion in the second quarter of 2015. The construction and completion of these new facilities involve regulatory approvals and reviews by various authorities in China, including, but not limited to, urban planning and construction and environmental protection authorities. We may not be able to obtain all the required permits or licenses for construction of the new facilities in a timely manner or at all. Construction of the new facilities also may not be completed on the anticipated timetable or within budget. Furthermore, we need to obtain approval from the CFDA or its provincial counterpart before we can commence production at these new facilities and we may not obtain such approval in a timely manner or at all. We may be also unable to fully utilize the production capacity after our new facilities in Shandong, Beijing and Shenzhen commence operations. Any inability or material delay in commencing operations at these facilities, any substantial increase in costs to complete the facilities or ramp up operations and utilization could materially and adversely affect our results of operations and prospects, and result in lost business opportunities.

We are subject to product liability exposure and have limited insurance coverage. Any product liability claims or safety-related regulatory actions could require us to pay substantial damages, harm our reputation and materially and adversely affect our business, financial condition and results of operations.

Our products are used in the treatment of patients. Accordingly, our products expose us to potential product liability claims if their use causes or is alleged to have caused personal injuries or other adverse effects. In China, medical devices are classified according to a catalogue issued by the CFDA into three different categories, Classes I, II and III, depending on the degree of risk associated with each medical device and the extent of control needed to ensure safety and effectiveness. A substantial portion of our products are classified as Class III, denoting that they generally pose high risk to the human body.

Any product liability claim or regulatory action, with or without merit, could be costly and time-consuming to defend. If successful, product liability claims may require us to pay substantial damages. We maintain limited product liability insurance to cover potential product liability arising from the sale of our orthopedic implant products in China. Our current product liability insurance policies for our orthopedic implant products cover up to RMB1.0 million per incident and RMB4.0 million per policy year. Other than these product liability insurance policies, we have no specific measures in place to mitigate any potential liabilities we may face from third parties. During the Track Record Period, we were not involved in any legal proceedings due to product liability claims. In addition, we believe product liability insurance available in China offers limited coverage compared to coverage offered in many other countries. As a result, we may not be able to purchase or maintain sufficient product liability insurance coverage on commercially reasonable terms, or at all. Future liability claims could be excluded from or exceed the coverage limits of our policies.

Moreover, a material design, manufacturing or quality failure or defect in our products, other safety issues or heightened regulatory scrutiny could each warrant a recall of our products and result in increased product liability claims. In China, violation of PRC product quality and safety requirements may result in the confiscation of earnings related to such products, penalties, termination of sales of the violating product or suspension of operations pending rectification. Furthermore, if the violation is determined to be sufficiently serious, our business license could be suspended or revoked, in which case we would be required to suspend or terminate production. Should any of these events occur, our business, financial condition and results of operations would be materially and adversely affected.

Any failure to protect our intellectual property rights could harm our business and competitive position.

We have developed a substantial portfolio of intellectual property rights in China to protect the technologies, inventions and improvements significant to our business. We rely on a combination of patents, trademarks, trade secrets, confidentiality agreements and other methods

to protect our intellectual property rights. As of the Latest Practicable Date, we had 28 patents, including 18 for orthopedic products and 10 for infusion set products, and nine patent applications, including four for orthopedic products and five for infusion set products. In addition, we are the registered owner of 10 trademarks including "Fert (伏尔特)" and "Walkman", "Bone (博恩)" and associated logos which are protected under PRC law. Since we currently do not have any overseas sales, we have not applied for any patents or trademarks outside of China (other than Hong Kong). In the future, to the extent we start our international sales, we may seek protection for our patents and trademarks for our products or technologies outside China. The process of seeking patent protection can be lengthy and expensive, our patent applications may fail to result in the patents being issued, and our existing and future patents may be insufficient to provide us with meaningful protection or commercial advantage. Our patents and patent applications may also be challenged, invalidated or circumvented.

We also rely on trade secret rights to protect our business through confidentiality agreements with employees. If our employees breach their confidentiality obligations, we may not have adequate remedies in China, and our trade secrets may become known to our competitors. In addition, we use technologies licensed from third parties from time to time. For example, we acquired the key technology in our bridge-link system from a member of our research and development team, who has obtained a patent for the technology and granted us an exclusive right to use his patented technology in China for the 20-year term of the patent. If he breaches his license agreement with us, our business, results of operations and financial condition may be materially and adversely affected.

Implementation of PRC intellectual property-related laws has historically been lacking, primarily because of ambiguities in PRC law and enforcement difficulties. Accordingly, intellectual property rights and confidentiality protections in China may not be as effective as in the western countries such as the United States. Furthermore, policing unauthorized use of proprietary technology is difficult and expensive, and we may need to resort to litigation to enforce or defend our patents or to determine the enforceability, scope and validity of our proprietary rights or those of others. Such litigation and an adverse determination in any such litigation, if any, could result in substantial costs and diversion of resources and management attention, which could harm our business and competitive position.

We may be subject to intellectual property infringement claims and successful claims of infringement could materially and adversely harm our reputation and affect our business, financial condition and results of operations.

We operate in an industry in which companies may use intellectual property litigation to gain a competitive advantage and may utilize similar technologies and product designs. Consequently, our competitors may claim intellectual property rights over the technologies and product designs used in our products. While we do not believe our products infringe on the intellectual property rights of our competitors or any third parties, we cannot assure you that any third parties may not raise a claim of intellectual property infringement against us.

Consequently, we may become subject to legal proceedings and claims relating to the intellectual property rights of third parties. Legal proceedings involving intellectual property rights can be expensive and time consuming, and their outcome is uncertain. Successful infringement claims brought by third parties could subject us to substantial monetary liability, require us to obtain licenses (which we may not be able to obtain on commercially reasonable terms or at all), pay on-going royalties, modify aspects of our technology and product design or subject us to injunctions prohibiting the production and sale of products or the use of our technologies, which could materially and adversely harm our business and reputation.

If we fail to obtain or maintain applicable licenses or registrations for our products, or if such licenses or registrations are delayed, we will be unable to commercially manufacture, distribute and market our products at all or in a timely manner, which could significantly disrupt our business and materially and adversely affect our sales and profitability.

The infusion set and orthopedic implant products we sell are subject to extensive regulation in China. For the manufacturing and sale of our products, we need to obtain and renew licenses and registrations with the CFDA. To obtain product registrations for Classes II and III medical devices in China, we must conduct, at our own expense, adequate and well-controlled clinical trials to demonstrate the efficacy and safety of our products. Clinical testing is expensive, can take years and has an uncertain outcome. Our clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical and/or non-clinical testing. Our failure to adequately demonstrate the efficacy and safety of any of our products would prevent receipt of regulatory approval and, ultimately, the commercialization of that product. As a result, we may be unable to manufacture, market and sell new products in a timely manner or at all due to our failure to obtain regulatory licenses or registrations.

The process for renewing regulatory licenses or registrations does not require substantial costs; however, the process for obtaining approval can be lengthy. The approval guidance for renewal applications relating to domestically manufactured Class III product registration certificates published by the CFDA states that it normally takes no more than 90 business days to review and approve the renewal applications subject to the sufficiency and satisfaction of application documents and no more than 10 additional business days to deliver a written approval. However, such process usually takes a much longer time in practice, and the CFDA from time to time issues public notices to allow the continuing production of products, whose registration certificates have expired, during the review and approval process of the CFDA. Although we do not foresee any substantial obstacles that would prevent us from obtaining such approvals, if the CFDA determines not to grant the approvals, we will not be able to manufacture and sell the related products, which would materially and adversely affect our business, financial conditions and results of operations.

In addition, the relevant regulatory authorities may introduce additional requirements or procedures that delay or prolong the approval of licenses or registrations for our existing or new products. If we are unable to obtain or maintain licenses or registrations needed to manufacture and market our existing or new products, or obtain or maintain such licenses or registrations in a timely fashion or at all, our business would be significantly disrupted, and our sales and profitability could be materially and adversely affected.

If surgeons, doctors and nurses are not receptive to our products, our sales will decline and we will be unable to increase our sales and profits.

We sell our products primarily to distributors, which in turn sell them to hospitals within designated territories. We also sell a portion of infusion set products directly to hospitals. Receptiveness to our products depends on educating surgeons, doctors and nurses as to the distinctive characteristics, benefits, safety and cost-effectiveness of our products compared to our competitors' products, as well as training surgeons, doctors and nurses in the proper application of our products. If we or our distributors are not successful in educating the surgeons, doctors and nurses of the merits of our products, our sales may decline.

In addition, we believe recommendations and support for our products by influential doctors and surgeons are essential for market acceptance and adoption. If we do not receive support from such doctors and surgeons, other hospitals and surgeons may not use our products. In particular for our orthopedic implant products, surgeons face a learning process to become proficient in the use of our products, and a significant role of our sales and marketing team is to provide surgeons with adequate instruction and training in the use of our products. This training process may take longer than expected and may therefore affect our ability to increase sales. Following the completion of the training process, we rely on trained surgeons to advocate the benefits of our products in the marketplace. Convincing surgeons to dedicate the time and energy necessary for adequate training remains challenging, and we cannot assure you we will be successful in these efforts. If surgeons are not properly trained, they may misuse or ineffectively use our products. This may also result in unsatisfactory patient outcome, patient injury, negative publicity or lawsuits against us, any of which could have a significant adverse effect on our reputation, sales, results of operations and prospects.

For our advanced infusion set products, head nurses in hospitals typically perform a key role in the hospitals' procurement decision on advanced infusion set products and implementing their usage in the hospital. Our sales and marketing team and the salesforces of our distributor, educate head nurses and the broader nursing staff at hospitals on the medical safety benefits of our precision filter and non-PVC infusion sets, and train them on the usage of these products. The general level of awareness and understanding of the medical benefits of advanced infusion sets is not high. As a result, this education and training is key to acceptance and use of our advanced infusion set products. If our education and training efforts are not adequate or effective, nurses may not be receptive to our advanced infusion sets which could have a significant adverse effect on our sales growth and results of operations.

Our net profit could be adversely affected if we recognize impairment losses on goodwill and other intangible assets relating to our acquisition of Fert Technology.

In connection with our acquisition of Fert Technology, we recorded goodwill and other intangible assets of RMB201.3 million, the balance of which was RMB198.6 million, RMB194.5 million and RMB192.5 million as of December 31, 2011, December 31, 2012 and June 30, 2013, respectively. We amortize intangible assets related to such acquisition on a straight-line basis over their economic lives and test for impairment whenever events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable. We test goodwill for impairment as of each year end or more frequently if events or circumstances indicate that goodwill might be impaired. 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. We did not recognize any impairment losses on the recorded goodwill and intangible assets associated with the acquisition of Fert Technology for the Track Record Period. However, we may recognize impairment losses on goodwill and other intangible assets in the future and that impairment could result in a charge to our results of operations and negatively affect our profitability.

We depend on our key personnel, and our business and growth may be severely disrupted if we lose their services.

Our future operations and financial performance depend upon the continued service of our key executives, including Mr. JIANG Liwei, our chief executive officer, who has 20 years of experience in the medical device industry. If any member of our management team resigns or if we otherwise lose their services, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new personnel, which could disrupt our business.

Furthermore, as we expect to continue to expand our operations, we will need to continue attracting and retaining experienced management personnel. Competition for personnel in the medical device industry is intense, and the availability of suitable and qualified candidates in China is limited. We compete to attract and retain qualified senior management personnel with other companies in the healthcare industry. Competition for these individuals could cause us to offer higher compensation and other benefits in order to attract and retain them, which could materially and adversely affect our financial condition and results of operations. We may be unable to attract or retain the personnel required to achieve our business objectives and failure to do so could disrupt our business and growth.

We may not be able to secure additional funding in the future to fund our operations or expansion plans.

Our expansion plans may change due to changing circumstances, the development of our business, unforeseen contingencies or new opportunities. If there is a change of our expansion plans, we may need to obtain additional debt or equity financing. If we are unable to obtain

such additional financing, or are unable to obtain additional financing on acceptable terms, we may not be able to expand our business and our operations may be adversely affected. The availability of funding is subject to various factors, some of which are beyond our control, including governmental approvals, prevailing market conditions, credit availability, interest rates and the performance of our business. Our inability to procure additional financing in a timely manner on terms that are satisfactory to us could materially and adversely affect our business, results of operations and expansion plans.

Our products may be subject to decreasing pricing trends and reduced margins. If we are unable to successfully replace these products subject to those trends with newer, more profitable products, our sales and results of operations could suffer.

Our products may be subject to price declines over time due to competitive forces, while manufacturing and material costs may remain constant or increase. Growing pricing pressure may arise in the future due to competition. As our products enter into a later stage in their lifecycles, the gross margins of those products may decrease. Our profitability depends on our ability to successfully control costs during the manufacturing process by increasing the efficiency of our manufacturing processes, reduce raw material consumption and increase production yields. In addition, changes in our product mix may negatively affect our overall gross margins. If we are unable to successfully design, manufacture and market new products, which typically generate higher gross margins, or if we fail to effectively increase the efficiency of our manufacturing processes or control manufacturing costs, our business, financial condition and operating results could be materially and adversely affected.

If we fail to comply with the CFDA's quality system regulations, our manufacturing process could be delayed and we may be subject to enforcement action by the CFDA.

We are required to comply with the CFDA's quality system regulations, which cover our production facilities and equipment, as well as the methods and documentation of production, quality control, quality assurance, labeling and packaging of our products. The CFDA enforces the quality system regulations through document review and on-site inspections. If we fail a quality system review or inspection or if any corrective action plan is not sufficient, our manufacturing process could be delayed or suspended. We may also be subject to fines, or fail to obtain registration for our new products, or our medical device manufacturing license could be revoked.

We are subject to risks relating to the operation of our production facilities.

Our production facilities face the risk of operational breakdowns caused by accidents occurring during the operating process, including but not limited to faulty construction and operator error. Any interruption in, or prolonged suspension of any part of production at, or any damage to or destruction of, any of our production facilities arising from unexpected or catastrophic events or otherwise may prevent us from supplying products to our customers, which in turn may result in a material adverse effect on our business and operations. There is

also a risk of injury or damage to persons, the property of others or the environment, which in turn could lead to considerable financial costs and may also have legal consequences. In particular, if we were to incur a significant liability for which we have not maintained sufficient insurance coverage, we might not be able to finance the amount of the uninsured liability, and might be obligated to divert a significant portion of cash flow from normal business operations. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

In addition, any breakdown or suspension of production or failure to supply our products to our customers in a timely manner may result in breach of contract and loss of sales, as well as expose us to liability and the requirement to pay compensation under the relevant agreements, lawsuits and damages to our reputation, which could have a material and adverse effect on our business, financial condition and results of operations.

We face certain risks relating to the real properties that we own, use or lease.

We have a number of title defects with respect to certain properties that we own, use and/or lease. In respect of four buildings with an aggregate gross floor area of 12,620.3 square meters located in Tianjin, we had not obtained the relevant certificates of completion before commencing operations on these properties as of the Latest Practicable Date. In respect of 30 of our owned properties with an aggregate gross floor area of 11,718.0 square meters located in Fengtai, Beijing, we had not obtained the relevant planning and construction permits as of the Latest Practicable Date. In respect of one parcel of our owned land with a site area of 53,333.6 square meters and its associated buildings with an aggregate gross floor area of 10,869.2 square meters in Xuzhou, Jiangsu province, we had not obtained the title certificates as of the Latest Practicable Date. Yijia Medical, a company that we acquired in May 2013, had begun construction on this site prior to our acquisition without obtaining the land use right certificate and the planning and construction permits. We are in the process of applying for the relevant permits and title certificates. However, we cannot assure you that the government authorities will not order us to cease operations in such properties pending the application for the relevant permits or title certificates, or seek demolition of the buildings in the future. Should government enforcement actions arise, we may encounter difficulty in continuing to occupy and operate in such properties.

In respect of eight of our leased properties with an aggregate gross floor area and/or site area of 15,485.3 square meters, our landlords have not provided us with evidence of their valid and enforceable building ownership rights, the relevant title documents or evidence of their relevant rights or authority to sub-lease such properties. These properties are primarily used as offices and warehouses. Should disputes arise relating to the title of these properties, we may encounter difficulties in continuing to lease the properties.

If any of the foregoing occurs, we may be required to relocate and we may incur additional costs relating to such relocations as well as business interruption. Furthermore, we may not be able to find suitable alternative premises and our business may be adversely affected if we relocate to less desirable locations.

Lack of sufficient sophisticated orthopedic surgeons that can perform surgical operations in China may adversely affect our orthopedic implant business.

Sophisticated orthopedic surgeons that can perform surgical operations play a significant role in our business. We involve surgeons in our product research and development stage and solicit their feedback, proposals and suggestions with respect to our new products based on their clinical experience. We also rely on influential surgeons to endorse the quality of our orthopedic implant products and promote their use among hospitals. Additionally, sales volume of our orthopedic implant products is largely determined by the number of surgical operations performed by surgeons, and their performance is key to ensuring the proper implantation and function of our products in human bodies. However, a limited number of qualified surgeons in China have sufficient expertise and experience, and many of them are employed by Class 3 hospitals located in large cities, where sales of our orthopedic implant products remain small. As a result, we only have limited access to sophisticated surgeons, which may adversely affect our research and development efforts and sales of our products.

Any failure by our large customers to make contracted payments to us or any disputes over, or significant delays in receiving, such payments could materially and adversely affect our cash flows and profitability.

We grant credit periods and/or credit limits to qualified distributors based on their payment history, business performance and/or market position. The average turnover days for our trade receivables were 121 days, 89 days, 105 days and 134 days for 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. In particular, the trade receivable turnover days of our orthopedic implant business historically have been longer, at 121 days, 143 days, 164 days and 182 days in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. A significant portion of our outstanding trade receivables is derived from sales to a limited number of customers. Our five largest outstanding trade receivables from distributors accounted for approximately 30.4%, 51.9%, 36.9% and 27.3% of our total outstanding accounts receivable as of December 31, 2010, 2011, 2012 and June 30, 2013, respectively. Any failure by our customers to pay us our contracted price, or any disputes over or significant delays in receiving such payments from our customers could require us to increase provisions made against our trade receivables or write off accounts receivable, either of which could adversely affect our cash flows and profitability. In addition, in our orthopedic implant business, we are seeking to lower the percentage of our permitted returned and exchanged products, and have recently revised our standard distribution agreement accordingly. However, we cannot assure you that our efforts will be successful.

Failure to manage our inventory turnover may materially and adversely affect our business, results of operations and financial condition.

Our average inventory turnover days were 304 days, 194 days, 207 days and 191 days in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively. During the same periods, the average inventory turnover days of our orthopedic implant segment were 304 days, 297 days, 441 days and 362 days, respectively. The long inventory turnover of our orthopedic implant segment was primarily due to the need to maintain a broad range of products in stock to meet the demands of hospitals, which is consistent with the industry practice. The average inventory turnover days of our infusion set segment were 165 days, 144 days and 118 days in Successor Period 2011, 2012 and the six months ended June 30, 2013, respectively. The average inventory turnover of our infusion set segment was relatively long primarily because we maintained a relatively large balance of raw materials to meet strong demand for our products. If we fail to manage our inventory turnover effectively, our inventories may become obsolete or we may experience a shortage in inventories, either of which may materially and adversely affect our business, results of operations and financial condition.

Our business depends significantly on the strength of our brand names and reputation. Our failure to develop, maintain and enhance our brands and reputation may materially and adversely affect the level of market recognition of, and trust in, our products.

Brand recognition and reputation are critical to the success of our new products and the continued popularity of our existing products. We believe that our "Fert (伏尔特)" and "Walkman" brands are well recognized among Chinese hospitals and surgeons, allowing us to further strengthen our market position in China. Our ability to develop, maintain and enhance the image and recognition of our brand names depends largely on our ability to remain a leader in the infusion and orthopedic implant industry in China. Our brand promotion efforts may be expensive and may fail to effectively promote our brands or generate additional sales.

Our brand names, reputation and product sales could be harmed if, for example:

- our products fail to gain acceptance by hospitals, surgeons and patients;
- our products contain defects or malfunctions;
- we provide poor or ineffective customer service; or
- we are subject to product liability claims.

Unauthorized use of our brand names by third parties may adversely affect the value of our brand names, reputation and business; legal actions (including litigation) to enforce our rights to our brand names may involve significant costs and divert of our resources.

We regard our brand names as critical to our success. Unauthorized use of our brand name by third parties may adversely affect the value of our brand names, our business and reputation, including the perceived quality and reliability of our products. We rely on trademark law and agreements with our distributors to protect the value of our brand names. As of the Latest Practicable Date, we had registered 10 trademarks. We may be unable to prevent unauthorized use of our brand names by random third parties. In certain circumstances, litigation may be necessary to protect our brand names. However, because the validity, enforceability and scope of protection of trademarks in China are uncertain and still evolving, we may not be successful in litigating these cases. Further, litigation could also result in substantial costs and diversion of our resources, and could disrupt our business, as well as materially and adversely affect our results of operations.

We rely on our information technology systems for our sales and other functions and to maintain our research and development data. If our information technology systems fail to adequately perform these functions, or if we experience an interruption in their operation, our business and results of operations could be adversely affected.

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage accounting and financial functions, order entry, order fulfillment and inventory replenishment processes, and to maintain our research and development data. The failure of our information technology systems to perform as we anticipate could disrupt our business and product development and could result in decreased sales and increased overhead costs, all of which could materially and adversely affect our business, financial condition and results of operations. In addition, our information technology systems are vulnerable to damage or interruption from:

- earthquake, fire, flood and other natural disasters;
- attacks by computer viruses or hackers;
- power loss; and
- computer systems, Internet, telecommunications or data network failure.

Any such interruption could materially and adversely affect our business and results of operations.

Our operations are subject to hazards and natural disasters that may affect our operations and may not be fully covered by our insurance policies.

Our production facilities, distribution network and sources of raw materials face the risk of interruptions resulting from external factors beyond our control, such as natural disasters (including but not limited to flooding, cyclones, typhoons, earthquakes, blizzard and snow storm), acts of terrorism or other third-party interference. We cannot assure you that all claims under our insurance policies will be honored fully or on time. We do not carry any business interruption insurance or third-party liability insurance for personal injury or environmental damage arising from accidents at our facilities. In addition, there are certain types of losses, such as those resulting from war, acts of terrorism, earthquakes, typhoons, flooding or other natural disasters for which we cannot obtain insurance at a reasonable cost or at all. Should an accident, natural disaster or terrorist act occur, or should an uninsured loss or a loss in excess of insured limits occur, we could suffer from financial losses, as well as damage to our reputation or lose all or a portion of future revenues anticipated to be derived from the relevant facilities. Any material loss not covered by our insurance could materially and adversely affect our business and results of operations.

Our ultimate Controlling Shareholder has substantial influence over our Company and her interests may not be aligned with the interests of our other shareholders.

Our ultimate Controlling Shareholder has substantial influence over our business, including matters relating to our management and policies and decisions regarding mergers, expansion plans, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. Our ultimate Controlling Shareholder is Ms. Yufeng LIU. Immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised, Ms. LIU will, through Cross Mark, hold 547,061,863 Shares representing approximately 34.19% of the issued share capital of our Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our ultimate Controlling Shareholder may exercise her substantial influence over us and cause us to enter into transactions or take, or fail to take, other actions or make decisions which conflict with the best interests of our other Shareholders.

RISKS RELATING TO OUR INDUSTRY

The PRC healthcare industry is highly regulated, and the regulatory framework, requirements and enforcement trends may change in a manner adverse to our business.

The healthcare industry in China is highly regulated. We are governed by various local, regional and national regulatory regimes in all aspects of our operations, including licensing and certification requirements and procedures for manufacturers and distributors of medical devices, and environmental protection laws and regulations. We cannot assure you that the legal framework, licensing and certification requirements and enforcement trends in the healthcare industry will not change, or that we will be successful in responding to such changes. Such changes may result in increased compliance costs, which would adversely affect our business, financial condition and results of operations.

All medical device manufacturers and distributors in China are required to obtain certain permits and licenses from various PRC governmental authorities, including production permits and product registration certificates for manufacturers. We have obtained all necessary permits and licenses required for the manufacture and distribution of our infusion set and orthopedic implant products. However, these permits and licenses are subject to periodic renewal and/or reassessment by the relevant PRC government authorities and the standards of such renewal or reassessment may change from time to time. Although we intend to apply for the renewal of these permits, licenses and certifications when required by applicable laws and regulations, there can be no assurance that we will successfully procure such renewals. Any failure by us to obtain the necessary renewals and otherwise maintain all licenses, permits and certifications necessary to carry on our business at any time could severely disrupt our business, and prevent us from continuing to carry on our business, which could have a material adverse effect on our business, financial condition and results of operations. In addition, any inability to renew these permits, licenses and certifications could severely disrupt our business, and prevent us from continuing to carry on our business. Any changes in the standards used by governmental authorities in considering whether to renew or reassess our business licenses, permits and certifications, as well as any enactment of new regulations that may restrict the conduct of our business, may also decrease our revenues and/or increase our costs, and materially reduce our profitability and prospects. Further, if the interpretation or implementation of existing laws and regulations changes or new regulations come into effect requiring us to obtain any additional permits, licenses or certificates that were previously not required to operate our existing businesses, we cannot assure you that we may successfully obtain such permits, licenses or certificates.

We are subject to regular inspections, examinations, inquiries or audits by the regulatory departments as part of the process of maintaining or renewing the various permits, licenses and certifications required for the manufacture and distribution of medical devices. In the event that any of our products or facilities fails such inspections, our business, profitability and reputation would be adversely affected.

Aspects of the impending healthcare reform in China may adversely affect our business.

The Chinese government has approved in principle a healthcare reform plan to address the affordability of healthcare services, the rural healthcare system and healthcare service quality in China. The healthcare reform covers various sectors of medical services, including the use of infusion sets and implantable medical devices, such as our orthopedic implants.

In particular, the NDRC drafted the Opinions on Strengthening the Monitoring and Administration of the Pricing of Implantable Medical Devices (《關於加強植(介)入醫療器械價格監測和管理的意見》), or the Pricing Opinions, published in July 2006. The Pricing Opinions proposed to fix a maximum premium range from 25% to 50% on the price difference between the ex-factory price offered by manufacturers to distributors and the ultimate retail price offered by hospitals to patients for the implantable medical devices on the NDRC's monitoring list, and to require manufacturers or importers of such implantable medical devices to report their price offered to distributors with the relevant pricing authority in China and clarify the reason for subsequent price increases upon the request of such pricing authority. The Pricing Opinions are still pending and have not been promulgated to date. The ultimate retail prices of our products to patients vis-a-vis our ex-factory price currently may be higher than the maximum premium range proposed under the Pricing Opinions, depending on several factors, such as the bidding price, the pricing strategy of each distributor, the different regions and hospitals in which the products are sold, the number of intermediaries, such as sub-dealers, and whether the products are trauma, spine or joints, or new models or older generation products.

The PRC government continued to express an interest in the pricing of implantable medical devices in the Implementation Plan for the Recent Priorities of the Health Care System Reform (2009–2011) (《醫療衛生體制改革近期重點實施方案(2009–2011)》), issued by the State Council on March 18, 2009, where the Chinese government proposes to regulate the use of implantable medical devices by public hospitals. In addition, the Opinion on the Reform of Pharmaceuticals and Healthcare Service Pricing Structures (《改革藥品和醫療服務價格形成機制的意見》) issued on November 9, 2009 by the NDRC, the MOH and the Ministry of Human Resources and Social Security, aims to regulate the price of implantable medical devices by restricting margins in distribution channels and publishing market price data.

Although no detailed policies or rules have been issued by the NDRC or other PRC government authorities to date, the Chinese government may announce further steps towards regulation of implantable medical devices or implement the proposals described above. If that occurs, we may incur additional expenses or costs to comply with the new requirements. Moreover, we may not be able to find sufficient qualified distributors to sell our products due to decreased distributor margins, and we may be subject to significant pricing pressure on our products as well as pressure on our gross margin. If we fail to comply with the proposed new requirements when they become effective, we may be subject to penalties, including a fine up to the amount equal to five times the illegal income or up to RMB1 million, if no illegal income is generated, confiscation of illegal income and, under severe cases, suspension of

operations for rectification and for those who seek excessive profits by violating pricing laws and regulations, revocation of their business licenses by the SAIC. All of these events could materially and adversely affect our business, financial condition, results of operations and prospects.

If the government, public insurers or third-party payers do not provide sufficient coverage and reimbursement for the use of our products, our revenue and growth prospects could be adversely affected.

Sales of medical devices, in particular our orthopedic implant products, largely depend on the availability of adequate reimbursement from government, public insurers or third-party payers. Surgeons and patients generally rely on these sources to reimburse all or part of the costs and fees associated with the use of the medical devices and procedures performed with these devices. Surgeons and patients are unlikely to use certain medical devices if they do not receive reimbursement adequate to cover the cost of their use in surgical procedures. In 2012, 31.3% of total health expenditures in China were sourced from direct payments by the government, and 35.2% of total health expenditures were sourced from government-directed public medical insurance schemes, commercial insurance plans and employers, according to the F&S Report. Urban residents in China can be covered by one of two urban public medical insurance schemes and rural residents can be covered under a rural healthcare insurance program launched in 2003.

Furthermore, healthcare costs have risen significantly over the past decade. There have been and may continue to be proposals by legislators, regulators and third-party payers to contain these costs. Legislators, regulators and third-party payers may attempt to control costs by authorizing fewer elective surgical procedures or by requiring the use of the least expensive devices possible. These cost-control methods also potentially limit the amount which third-party payers may be willing to pay for medical devices. The continuing efforts of third-party payers, whether governmental or commercial, whether inside or outside China, to contain or reduce these costs, combined with closer scrutiny of such costs, could restrict our customers' ability to obtain adequate coverage and reimbursement from these third-party payers. The cost containment measures in China could harm our business by adversely affecting the demand for our products or the price at which we can sell our products.

If national or provincial authorities in China decide to reduce the coverage or reimbursement levels for use of our products, patients may opt for or be forced to resort to other products, materially and adversely affecting our revenue and growth prospects.

If the PRC government decides to expand price control on our products, our business, profitability, results of operations and prospects would be materially and adversely affected.

There is currently no price control imposed by the PRC government in relation to medical devices sold in the PRC. Individual hospitals and local government bureaus that organize tendering processes for hospitals set the maximum selling prices for medical devices of individual manufacturers on a case-by-case basis in their tendering processes. During the Track Record Period, the maximum selling prices of our products set by individual hospitals and local government bureaus were generally stable, and we have generally maintained and increased our average selling prices by continually developing new products and features for our products. In contrast, the prices of certain pharmaceutical products sold in China, primarily those included in the national and provincial medical insurance catalogue, are subject to price controls mainly in the form of fixed prices or price ceilings. Manufacturers and business operators cannot set the actual price for any given price-controlled product above the price ceiling or deviate from the fixed price imposed by the government.

In recent years, the PRC government has been making continuous and increasing efforts in stepping up the healthcare system reform. In 2008 and 2009, the PRC government announced a series of healthcare reform plans, the goal of which was to establish a universal healthcare framework and to ensure that basic healthcare services are accessible to Chinese nationals. As part of this trend, the MOH has increased its involvement in the administration of the tendering processes used by hospitals for selecting their suppliers for medical devices and their procurement price. We are unable to predict any future changes to the price control policy to be adopted by the PRC government in the healthcare sector. In the event of any changes in such policy resulting in our products being subject to price control, our business, profitability, results of operations and prospects would be materially and adversely affected.

There may be corrupt practices in the healthcare industry in China, which may place us at a competitive disadvantage if our competitors engage in such practices.

There may be corrupt practices in the healthcare industry in China. For example, in order to secure more orders, our competitors or their respective agents or distributors may engage in corrupt practices in order to influence surgeons, hospital personnel or other decision-makers in violation of the anti-corruption laws of China. As competition persists and intensifies in our industry, we may lose potential customers or sales to the extent that our competitors engage in such practices or other illegal activities.

We are subject to various environmental, safety and health regulations in the PRC, compliance with which may be difficult or expensive, and any failure to comply with such regulations may render us subject to penalties, fines, governmental sanctions, proceedings and/or suspension or revocation of our licenses or permits to conduct our business.

Our operations are subject to the environmental protection, safety and health laws and regulations in China. Failure to comply with these regulations may result in penalties, fines, governmental sanctions, proceedings and/or suspension or revocation of our licenses or permits to conduct our business. Non-compliance with the relevant regulations may result in us being ordered to suspend or cease production, subject us to penalty of up to three times the value of the products manufactured and the confiscation of the income derived from such manufacturing activity. Given the number and complexity of these regulations, compliance with them may be difficult or involve significant financial and other resources to establish efficient compliance and monitoring systems. In addition, these regulations are constantly evolving. There can be no assurance that the PRC government will not impose additional or more stringent laws or regulations, the compliance with which may cause us to incur significant costs which we may be unable to pass on to our customers and may take significant time which may affect or interrupt our operation.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

As all of our operations are conducted in the PRC, any change in the PRC's political, economic and social conditions, laws, regulations and policies may have a material adverse effect on us.

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to:

- structure;
- level of governmental involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been in transition from a planned economy to a more market-oriented economy. The PRC government has implemented economic reform measures emphasizing responsiveness to market forces in the development of the PRC economy. Yet, the PRC government continues to play a highly significant role in regulating industries by imposing industrial policies. Despite the implementation of such reforms, we cannot predict

whether changes in the PRC's political and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, results of operations or financial condition.

The PRC's legal system embodies uncertainties that could materially and adversely affect our business and results of operations.

All of our operations are conducted in the PRC and substantially all of our employees are PRC citizens. Our operations are therefore generally affected by and subject to the PRC legal system and PRC laws and regulations. Since the late 1970s, a substantial number of new laws and regulations covering general economic matters have been promulgated in China. Despite these efforts, China's system of laws is still evolving. Even where adequate law exists in China, the enforcement of laws or contracts based on existing law may be uncertain, and it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction. The PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited for reference but have limited weight as precedents. The relative inexperience of China's judiciary in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

It may be difficult to enforce against us, our Directors or our senior management in the PRC any judgments obtained from non-PRC courts.

Substantially all of our assets are located within China. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for you to enforce against us, any of our Directors or our senior management in the PRC any judgments obtained from non-PRC courts.

Changes in the PRC government policy on foreign investment in China may adversely affect our business and results of operations.

According to the latest version of the Foreign Investment Catalogue (《外商投資產業指導目錄》), which became effective on January 30, 2012, our business does not fall within the prohibited or the restricted category. As the Foreign Investment Catalogue is updated every few years, there can be no assurance that the PRC government will not change its policies in a manner that would render part or all of our businesses to fall within the restricted or prohibited categories. If we cannot obtain approval from relevant approval authorities to engage in businesses which become prohibited or restricted for foreign investors, we may be forced to sell or restructure our businesses which have become restricted or prohibited for foreign investment. If we are forced to adjust our corporate structure or business line as a result of changes in government policy on foreign investment, our business, financial condition and results of operations may be materially adversely affected.

Our acquisitions may be affected by PRC regulations relating to acquisitions of domestic companies by foreign entities.

Effective as of September 8, 2006, foreign investors must comply with the Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (2009 Revision) (《關於外國投資者併購境內企業的規定》), or the M&A Regulation, should they seek to purchase the equity of a domestic non-foreign invested company and thus change the company into a foreign-invested enterprise. According to the M&A Regulation, which provide the procedures for the approval of foreign investment projects in China, the business scope of such foreign-invested enterprise must conform to the Foreign Investment Catalogue (《外商投資產業指導目錄》).

We cannot assure you that we or the owners of any domestic company that we may seek to purchase in the future will be successful in obtaining all necessary approvals and completing all the relevant procedures under the M&A Regulation. In the event that the acquisition of domestic companies cannot be completed as part of our business strategies, our business and future plan may be adversely affected.

Under the EIT Law, dividends paid by our PRC subsidiaries may be subject to PRC tax. In addition, we may be considered as a PRC resident enterprise for tax purposes, in which case our global income may be subject to the 25.0% EIT, and dividends we pay to our overseas shareholders and gains realized from the transfer of Shares by our overseas shareholders may also be subject to PRC withholding tax.

We are a holding company incorporated in the Cayman Islands and our business operations are principally conducted through our PRC subsidiaries. Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), or the EIT Law, which became effective on January 1, 2008, dividends payable by a foreign-invested enterprise to its foreign investors are subject to a 10.0% withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. Pursuant to an applicable tax arrangement between the PRC and Hong Kong, a company incorporated in Hong Kong is subject to a reduced withholding tax rate of 5.0% on dividends it receives from a company incorporated in the PRC if it holds 25.0% or more interest in such PRC company. Accordingly, dividends paid by Fert Technology to Health Access, and by Walkman Biomaterial to Health Forward, are subject to a 5.0% PRC withholding tax, unless Health Access or Health Forward is deemed to be a PRC resident enterprise for the purposes of EIT Law. Further, according to a circular released by the SAT on October 27, 2009, or SAT Circular 601, a corporate resident of a contracting state will not be entitled to the lower withholding tax rate under the tax treaty if it is considered a "conduit company" set up merely for the purpose of avoiding or reducing tax or transferring or accumulating profits, as opposed to a beneficial owner who owns and controls an item of income, or the right or property from which that item of income is derived, and is normally engaged in substantive business activities such as manufacturing, sales and management. Therefore, if either of Health Access and Health Forward is not considered to be the beneficial

owner of Fert Technology or Walkman Biomaterial, respectively, under the terms of SAT Circular 601, we may not be able to enjoy the applicable tax arrangement benefits between the PRC and Hong Kong, and any dividends paid by Fert Technology to Health Access and by Walkman Biomaterial to Health Forward may attract a higher withholding tax rate of 10.0%. There is no similar tax treaty between the Cayman Islands or the British Virgin Islands on one hand and China on the other.

Under the EIT Law, enterprises established under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered PRC resident enterprises for tax purposes. The SAT promulgated the "Circular on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in accordance with Criteria for Determining Place of Effective Management" in April 2009 which defines the term "management body" in respect of enterprises that are established offshore by PRC enterprises. However, no definition of "management body" is provided for enterprises established offshore by private individuals or foreign enterprises like us. As such, our PRC legal adviser has advised us that there is uncertainty whether our Company will be deemed to be a PRC resident enterprise for the purpose of the EIT Law. If our Company is considered a PRC resident enterprise under the above definition, our global income will be subject to EIT at the rate of 25.0%. In addition, although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from EIT, due to the short history of the EIT Law, it remains unclear as to the detailed qualification requirements for such exemption and whether dividend payments by our subsidiaries to us will meet such qualification requirements even if we are considered a PRC resident enterprise for tax purposes. Furthermore, the implementation rules of the EIT Law set forth that, (i) if the enterprise that distributes dividends is domiciled in the PRC, or (ii) if gains are realized from transferring equity interest of enterprises domiciled in the PRC, then such dividends or capital gains are treated as PRC-sourced income. It is not clear how "domicile" may be interpreted under the EIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered a PRC resident enterprise for tax purposes, any dividends we pay to our overseas shareholders as well as gains realized by such shareholders from the transfer of our Shares may be regarded as PRC-sourced income and as a result become subject to PRC withholding tax at a rate of up to 10%.

Since the EIT Law took effect in 2008, it remains uncertain in many aspects as to how it would be implemented by the relevant PRC tax authorities. If dividend payments from our PRC subsidiaries to us are subject to PRC withholding tax at the rate of 10.0%, our financial condition, results of operations and the amount of dividends available to pay our shareholders may be adversely affected. If our dividend payments to our overseas shareholders and gains realized by such shareholders from the transfer of our Shares are subject to PRC withholding tax, it may materially and adversely affect your investment return and the value of your investment in us.

The discontinuation of the preferential tax treatments for "High and New Technology Enterprises" currently available to us in China could materially reduce our net income and profitability.

Fert Technology and Walkman Biomaterials are currently qualified as "High and New Technology Enterprises" under the PRC income tax law and were entitled to a preferential income tax rate of 15.0% on their estimated assessable profits during the Track Record Period. Their qualification as "High and New Technology Enterprises" is valid through 2014. We intend to apply for renewal of such qualification thereafter but there is no assurance that our application will succeed. In the event that this preferential tax treatment is discontinued, Fert Technology and Walkman Biomaterials will become subject to a 25.0% standard enterprise income tax rate, which would increase our income tax expenses and could materially reduce our net income and profitability.

We face uncertainty with respect to PRC tax liabilities in connection with direct and indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《關於加強非居民企業股權轉讓所得企業所得税管理的通知》), or SAT Circular 698, issued by the SAT on December 10, 2009 with retroactive effect from January 1, 2008, where a foreign investor transfers its indirect equity interest in a PRC resident enterprise by disposing of its equity interests in an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5%; or (ii) does not tax foreign income of its residents, the foreign investor must report to the competent tax authority of the PRC resident enterprise this Indirect Transfer. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of avoiding PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10.0%.

SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction.

There is uncertainty as to the application of SAT Circular 698. For example, while the term "Indirect Transfer" is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect

Transfer to the competent tax authority of the relevant PRC resident enterprise. In addition, to date there have not been any formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to avoid PRC tax. As a result, we may become at risk of being taxed under SAT Circular 698 due to the Reorganization and we may be required to expend resources to comply with SAT Circular 698 or to establish that SAT Circular 698 is not applicable to us, all of which may have an adverse effect on our results of operations and financial condition.

Our Company is a holding company that relies on dividend payments from our subsidiaries for funding.

Our Company is a holding company incorporated in the Cayman Islands and our operations are conducted through our subsidiaries in the PRC. Therefore, the availability of funds to pay dividends to our Shareholders and to service our indebtedness depends on dividends received from these subsidiaries. If our subsidiaries incur any debt or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends or other distributions and to service our indebtedness will be restricted.

PRC law requires that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRSs. PRC law also requires foreign-invested enterprises, such as our subsidiaries in China, to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends.

Government control of currency conversion may materially and adversely affect our financial condition, results of operations and ability to remit dividends.

The RMB is not a freely convertible currency. In China, the conversion of the RMB into foreign currencies, including the HK dollars and US dollars, is based on rates set by the PBOC. The official exchange rate for the conversion of the RMB to US dollars had generally been stable from 1994 until July 2005, when the PRC government introduced a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On July 21, 2005, or the effective date of the new regime, the RMB appreciated against the US dollar and HK dollar by approximately 2.0%. On September 23, 2005, the PRC government widened the daily trading band for the RMB against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. It is uncertain if the exchange rates of the Hong Kong dollars and US dollars against the RMB will further fluctuate. Any appreciation of the RMB may subject us to increased competition from imported orthopedic products. In addition, since our revenue and net profit are denominated in RMB, any depreciation of the RMB would materially and adversely affect the value of, and any dividends payable on, our Shares in foreign currency terms.

In addition, the conversion of the RMB into other currencies is subject to a number of foreign exchange control rules, regulations and notices issued by the PRC government. In general, foreign-invested enterprises are permitted to convert the RMB to foreign currencies for current account transactions (including, for example, distribution of profits and payment of dividends to foreign investors) through designated foreign exchange banks following prescribed procedural requirements. Control over conversion of the RMB to foreign currencies for capital account transactions (including, for example, direct investment, loan and investment in securities) is more stringent and such conversion is subject to a number of limitations. The requirement for us to pay dividends in a currency other than the RMB to our Shareholders may expose us to foreign exchange risk. Under the current foreign exchange control system, there is no assurance that we will be able to obtain sufficient foreign currency to pay dividends or satisfy other foreign exchange requirements in the future.

The outbreak of any severe communicable disease in China, if uncontrolled, may materially and adversely affect our financial condition, results of operations and future growth.

The outbreak of any severe communicable disease in China, if uncontrolled, could have an adverse effect on the overall business sentiment and environment in China, which in turn may have an adverse impact on domestic consumption and, possibly, on the overall GDP growth of China. As all of our revenue is derived from our PRC operations, any contraction or slowdown in the growth of domestic consumption or slowdown in the growth of GDP of China may materially and adversely affect our financial condition, results of operations and future growth. In addition, if our employees are affected by a severe communicable disease, we may be required to institute measures to prevent the spread of the disease, which may materially and adversely affect or disrupt our operations, resulting in an adverse effect on our results of operations. The spread of any severe communicable disease in China may also affect the operations of our customers and suppliers, which again, may have a potentially adverse effect on our financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and their liquidity and market price may be volatile.

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Sole Global Coordinator (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We expect our Shares to be listed on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, will be

sustained following the Global Offering or that the market price of our Shares will not decline following the Global Offering. Furthermore, the price and trading volume of our Shares may be volatile.

The following factors could cause the market price of our Shares following the Global Offering to vary significantly from the Offer Price:

- variation in our turnover, earnings and cash flow;
- liability claims brought against us based on, for example, defective products or safety-related regulatory actions;
- interruptions to our distribution arrangements;
- our failure to execute our strategy;
- any unexpected business interruptions resulting from operational breakdowns or natural disasters;
- inadequate protection of our intellectual property or legal proceedings brought against us for infringement of third parties' intellectual property rights;
- any major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our products; and
- political, economic, financial and social developments.

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

The Offer Price of our Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma combined net tangible asset value to HK$0.98 per Share, based on HK$2.99 per Share, being the mid-point of the indicative offer price range of HK$2.60 to HK$3.38, assuming that the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme will not be exercised. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of our Shares may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

Sale or anticipated sale of substantial amounts of our Shares in the public market after the Global Offering could materially adversely affect the prevailing market price of our Shares.

The Shares beneficially owned by our Controlling Shareholders are subject to certain lock-up periods. There is no assurance that our Controlling Shareholders will not dispose of these Shares following the expiration of the lock-up periods, or any Shares they may come to own in the future. Sale of a substantial portion of our Shares in the public market, or the perception that such sale may occur, could materially and adversely affect the prevailing market price of our Shares. Such sale or the perception of such sale is likely to make it more difficult for us to sell equity or equity-linked securities in the future at a time and price which we deem appropriate.

You may face difficulties in protecting your interests because we are incorporated under the Cayman Islands law, and these laws relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions. The remedies available to the minority Shareholders may be limited compared to the laws of other jurisdictions.

Our corporate affairs are governed by, among other things, the Articles of Association, the Cayman Companies Law and common law of the Cayman Islands. The rights of shareholders to take action against our Directors, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us are to a large extent governed by the common law of the Cayman Islands and our Articles of Association. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority Shareholders differ in some respects from those in Hong Kong and other jurisdictions. The remedies available to the minority Shareholders may be limited compared to the laws of other jurisdictions. See "Summary of the Constitution of Our Company and Cayman Islands Companies Law" in Appendix III to this prospectus.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to certain information obtained from official governmental and other sources contained in this prospectus.

Facts, statistical and forecast information relating to China, the Chinese economy and the healthcare and orthopedic markets contained in this prospectus have been compiled from various publicly available official governmental sources and the F&S Report. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the underwriters or any of our or their respective affiliates or advisors, and, therefore, we cannot assure you as to the accuracy and reliability of such facts, forecasts and statistics, which may not be consistent with other information compiled inside or

outside the PRC. Such facts forecasts and statistics include the facts forecasts and statistics used in "Summary," "Risk Factors," "Industry Overview" and "Business." Because of possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts, forecasts or statistics.

No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the Application Form, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Controlling Shareholders, the Sole Global Coordinator, the Sole Lead Manager and the Sole Sponsor and the Underwriters, any of our or their respective directors, officers, agents, employees or advisors or any other party involved in the Global Offering.