

## HISTORY AND CORPORATE DEVELOPMENT

### OVERVIEW

PW Medtech is a medical device company focused on fast-growing and high-margin segments of China's medical device industry. We are a leader in our current business segments of orthopedic implants and advanced infusion sets. We have built our business today on a strategy of making acquisitions in attractive sectors of China's medical device industry and executing successful growth. The following table outlines the key milestones in our history.

- *August 2008.* Acquisition of control in Tianjin Walkman Biomaterial Co., Ltd. (天津市威曼生物材料有限公司), or Walkman Biomaterial
- *September 2010.* Investment by WP X in Walkman Biomaterial
- *April 2011.* Acquisition of control in Beijing Fert Technology Co., Ltd. (北京伏爾特技術有限公司), or Fert Technology
- *May 2011.* Establishment of PW Medtech Group Limited (普华和顺集团公司), formerly known as Pyholding Limited, our Company and offshore listing vehicle
- *January 2013.* Acquisition of control in Shenzhen Bone Medical Device Co., Ltd. (深圳市博恩醫療器材有限公司), or Bone Medical
- *July 2013.* Completion of the consolidation of our Group as part of the Reorganization in anticipation of the Global Offering

### HISTORY AND DEVELOPMENT

PW Medtech Group Limited, formerly known as Pyholding Limited, or our Company, was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on May 13, 2011, and became the offshore holding company of our Group through acquisitions and as a result of the Reorganization. See “— Reorganization.” Our early history primarily consisted of our acquisitions of Walkman Biomaterial (our orthopedic implant business) in 2008 and Fert Technology (our infusion set business) in 2011.

#### History of Our Orthopedic Implant Business

##### *Establishment and Interim Development*

We conduct our orthopedic implant business primarily through our PRC subsidiary, Walkman Biomaterial. Walkman Biomaterial was established in Tianjin, China, in November 2001, with a registered capital of RMB12 million. At the time of its establishment, Tianjin Datong Electromechanical Development Co., Ltd. (天津大通機電發展有限公司), or Datong Electromechanical, an Independent Third Party, owned a 60% equity interest in Walkman

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Biomaterial. Ms. WAN Li (萬力) and Mr. BI Hongwei (畢宏偉), then Independent Third Parties, owned the remaining 32.2% and 7.8% equity interests in Walkman Biomaterial, respectively.

In August 2003, Datong Electromechanical sold its equity interest in Walkman Biomaterial to Ms. WAN Li and Mr. BI Hongwei, and as a result, Mr. BI Hongwei and Ms. WAN Li owned 51.02% and 48.98% equity interests in Walkman Biomaterial, respectively.

In May 2008, Ms. WAN Li and Mr. BI Hongwei sold 48.98% and 6.02% equity interests, respectively, in Walkman Biomaterial to Tianjin Sannie Bioengineering Technology Co., Ltd. (天津市賽寧生物工程技術有限公司), or Sannie Bioengineering, an Independent Third Party. After such transfers, Sannie Bioengineering and Mr. BI Hongwei owned 55% and 45% equity interests in Walkman Biomaterial, respectively.

### *Acquisition of Walkman Biomaterial*

#### *Acquisitions by Mr. ZHANG Wendong and Cross Mark*

In August 2008, Sannie Bioengineering sold its 55% equity interest in Walkman Biomaterial to Mr. ZHANG Wendong (張文東) for a consideration of RMB6.6 million, representing the corresponding contribution amount in the registered capital. Mr. ZHANG Wendong conducted such acquisition on behalf of Ms. Yufeng LIU, his mother. In July 2009, Cross Mark, a BVI business company wholly owned by Ms. Yufeng LIU acquired a 35% equity interest in Walkman Biomaterial from Mr. ZHANG Wendong for a consideration of RMB4.2 million, representing the corresponding contribution amount in the registered capital. Ms. Yufeng LIU is a private investor and our ultimate Controlling Shareholder, who indirectly holds her shares in our Company through Cross Mark, a company wholly owned by her. Ms. Yue'e ZHANG (張月娥), who is Ms. Yufeng LIU's daughter, an executive director of Cross Mark and a non-executive Director of our Company, manages Cross Mark's investments, including its investment in our Group. Ms. Yue'e ZHANG has considerable experience in investing in the medical field. For details of her relevant experience, see "Directors and Senior Management — Directors." Ms. Yufeng LIU and her family members (including Mr. ZHANG Wendong) provided the funding for the initial investment in Walkman Biomaterial.

In addition, Mr. BI Hongwei transferred his 45% equity interest in Walkman Biomaterial to Ms. WAN Li for a consideration of RMB5.4 million, representing the corresponding contribution amount in the registered capital. As a result of such transactions, Walkman Biomaterial was restructured into a Sino-foreign joint venture. Ms. WAN Li, Cross Mark and Mr. ZHANG Wendong owned 45%, 35% and 20% equity interests in Walkman Biomaterial, respectively.

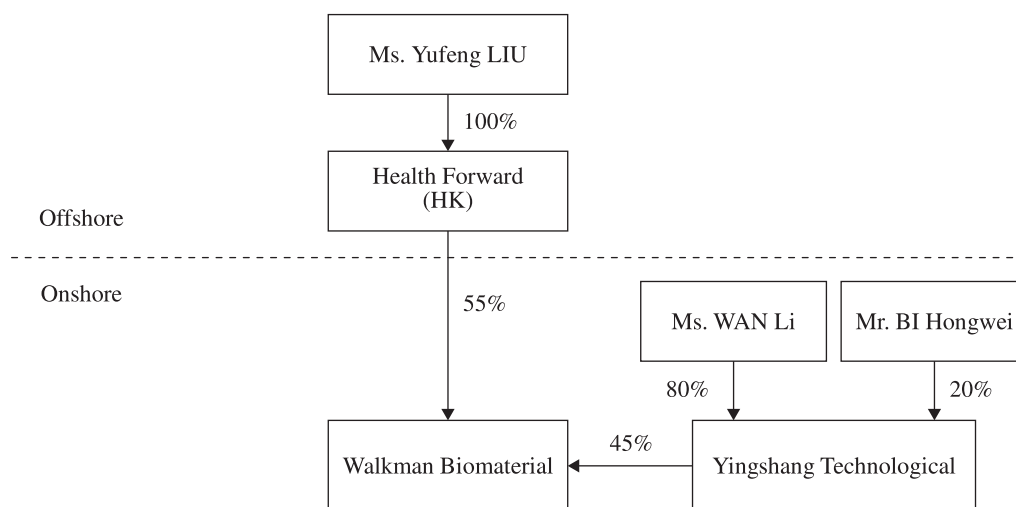
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In January 2010, Ms. WAN Li transferred her 45% equity interest in Walkman Biomaterial to Yingshang Technological, an investment holding company beneficially owned by Ms. WAN Li and Mr. BI Hongwei, for a consideration of RMB5.4 million, representing the corresponding contribution amount in the registered capital.

### *Acquisition by Health Forward*

In April 2010, Health Forward, a Hong Kong company with limited liability then wholly owned by Ms. Yufeng LIU, acquired 35% and 20% equity interests in Walkman Biomaterial from Cross Mark and Mr. ZHANG Wendong for RMB5.33 million and RMB3.04 million, respectively. The consideration was determined with reference to an independent valuation of the net asset value of Walkman Biomaterial as of September 30, 2009. As a result of such transactions, Health Forward and Yingshang Technological owned 55% and 45% equity interests in Walkman Biomaterial, respectively. Health Forward subsequently became a wholly-owned subsidiary of our Company as a result of the Reorganization. See “— Reorganization — Consolidation of PWM Investment into Our Group.”

Set forth below is the shareholding structure of Walkman Biomaterial immediately after the acquisition by Health Forward.

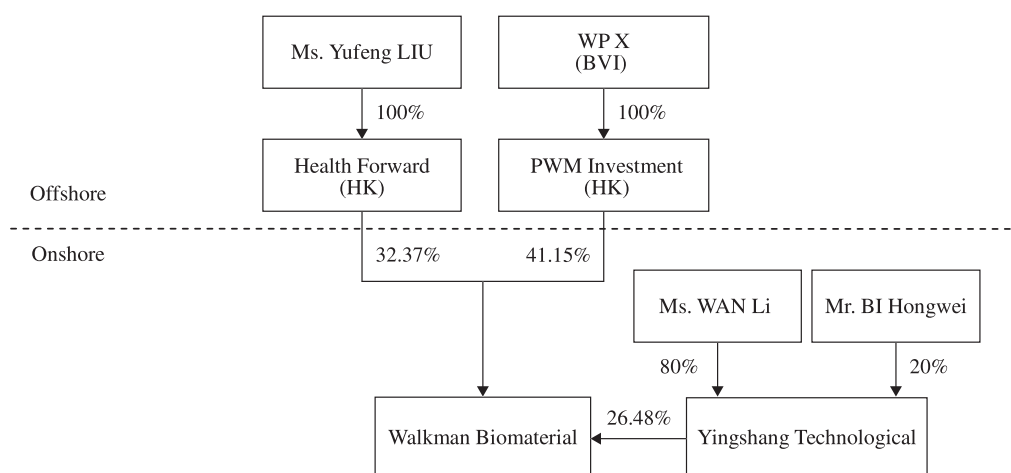


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### *Investment by PWM Investment*

#### *Initial Investment by PWM Investment*

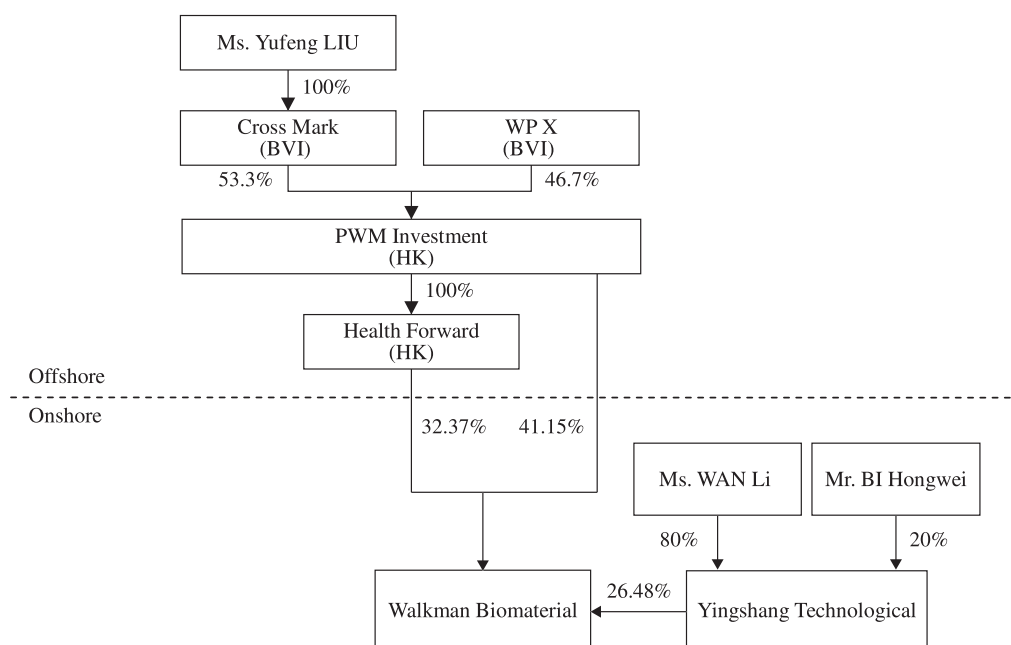
As our business at Walkman Biomaterial continued to grow, we began seeking alliance with strategic investors for additional capital access and market experience. In September 2010, PWM Investment, a Hong Kong company with limited liability then wholly owned by WP X, made a cash contribution of US\$10.33 million (RMB70 million) to Walkman Biomaterial. As a result of such capital contribution, the registered capital of Walkman Biomaterial increased to RMB20.39 million. PWM Investment, Health Forward and Yingshang Technological owned 41.15%, 32.37% and 26.48% equity interests in Walkman Biomaterial, respectively. Terms of the investment by WP X were based on arm's length negotiations between the parties with reference to the profitability and business prospects of Walkman Biomaterial. In December 2010, WP X made a capital contribution of US\$14.0 million to PWM Investment to finance the subsequent equity investments in Walkman Biomaterial. For backgrounds of WP X, see “Pre-IPO Investments — About WP X.” Set forth below is the shareholding structure of Walkman Biomaterial immediately after the initial investment by WP X.



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### *Share Swap among Cross Mark, Health Forward and PWM Investment*

In December 2010, Ms. Yufeng LIU, Cross Mark, PWM Investment, WP X, and Health Forward entered into a share purchase agreement, pursuant to which Cross Mark subscribed for a 53.3% equity interest in PWM Investment in consideration of (i) the entire equity interest in Health Forward and (ii) Cross Mark's assignment of its rights under certain loans that Health Forward borrowed from Cross Mark in the aggregate amount of US\$1,234,000 to PWM Investment. As a result of this share swap, Cross Mark and WP X owned 53.3% and 46.7% equity interests in PWM Investment, respectively, and Health Forward became a wholly-owned subsidiary of PWM Investment. Set forth below is the shareholding structure of Walkman Biomaterial immediately following the share swap.



### *Introduction of Additional Financial Investor and Capital Contributions to PWM Investment*

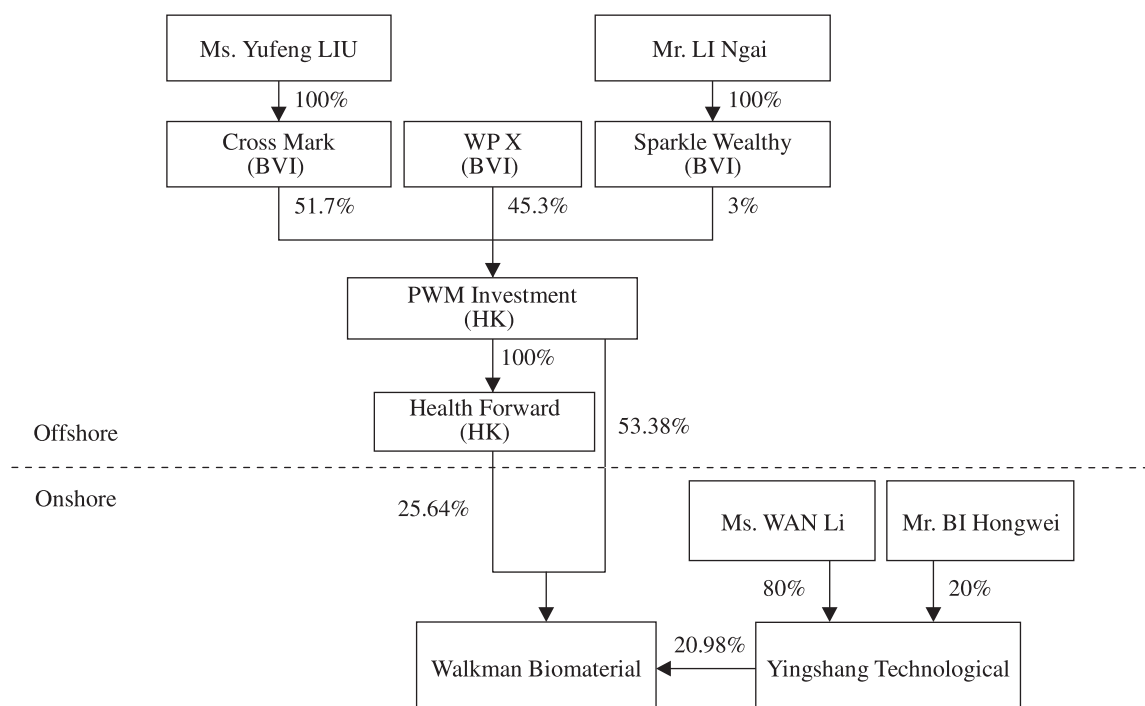
In September 2012, Sparkle Wealthy, a BVI business company wholly owned by Mr. LI Ngai, subscribed for 3% of the enlarged share capital of PWM Investment for US\$0.96 million. As a result, Cross Mark, WP X and Sparkle Wealthy owned 51.7%, 45.3% and 3% equity interests in PWM Investment, respectively.

In September and December 2012, the then-existing shareholders of PWM Investment, namely, Cross Mark, WP X and Sparkle Wealthy, made capital contributions to PWM Investment pro rata to their then shareholding percentages with an aggregate amount of US\$16.55 million.

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### *Follow-on Investment by PWM Investment*

In October 2012, PWM Investment made a follow-on investment in Walkman Biomaterial with a capital contribution in U.S. dollars equivalent to RMB105 million. As a result of such capital contribution, the registered capital of Walkman Biomaterial increased to RMB25.74 million. PWM Investment, Health Forward and Yingshang Technological owned 53.38%, 25.64% and 20.98% equity interest in Walkman Biomaterial, respectively. Set forth below is the shareholding structure of Walkman Biomaterial immediately after the follow-on investment by WP X.



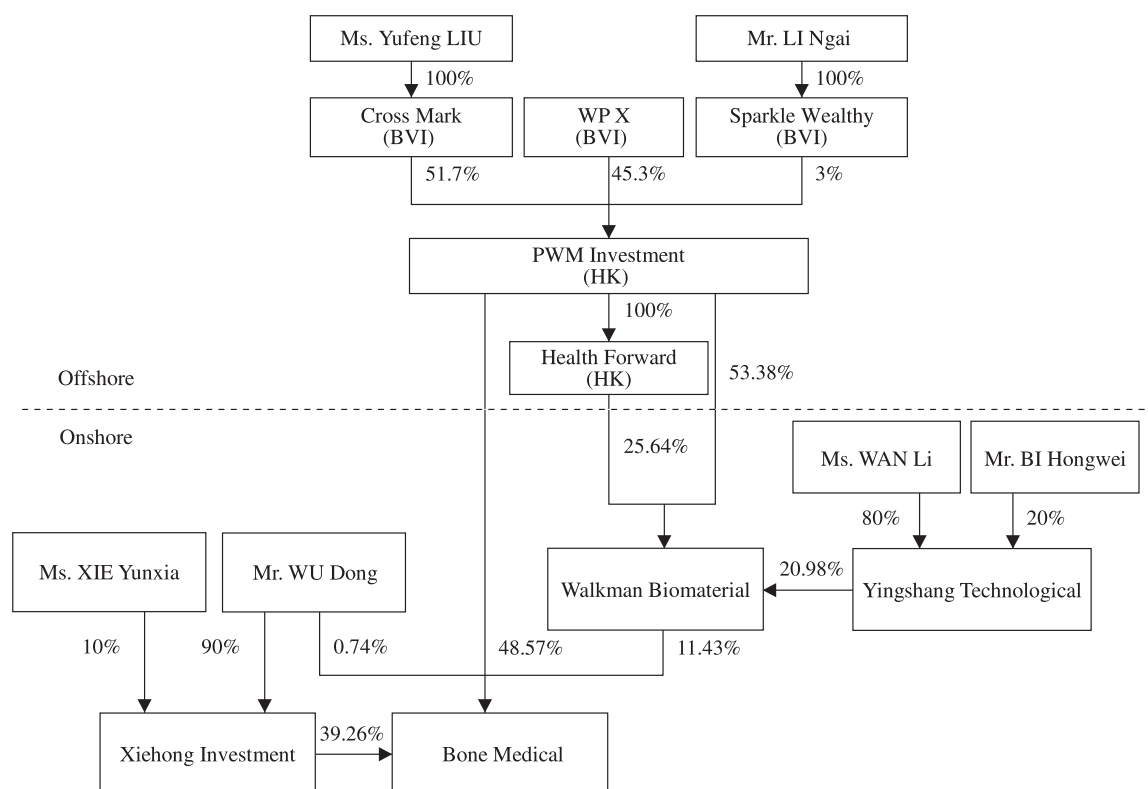
### *Acquisition of Bone Medical*

We further expanded our orthopedic implant product portfolio by acquiring Bone Medical, a Shenzhen-based manufacturer of joint products. Mr. WU Dong (吳棟) and Ms. XIE Yunxia (謝雲霞), husband and wife and then Independent Third Parties, beneficially owned Bone Medical immediately before our investment. Bone Medical was established in Shenzhen, Guangdong province, in November 2002, with a registered capital of RMB1 million. At the time of its establishment, Mr. WU Dong and Ms. QIAO Youlian (喬有蓮), mother of Ms. XIE Yunxia and then an Independent Third Party, owned 90% and 10% equity interests in Bone Medical, respectively. In September 2012, Mr. WU Dong and Ms. QIAO Youlian transferred 89% and 10% equity interests in Bone Medical, respectively, to Lhasa Development Zone Xiehong Investment Management L.P. (拉薩開發區協宏投資管理合夥企業 (有限合夥)), or Xiehong Investment, an investment holding entity beneficially owned by Mr. WU Dong and

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Ms. XIE Yunxia, for RMB0.89 million and RMB0.11 million, respectively. As a result, Xiehong Investment and Mr. WU Dong owned 99% and 1% equity interests in Bone Medical, respectively.

Pursuant to an investment agreement dated July 2012, PWM Investment and Walkman Biomaterial acquired an aggregate of 60% equity interest in Bone Medical for a total consideration of RMB105 million through a combination of capital contribution and equity transfer in January 2013. PWM Investment and Walkman Biomaterial first acquired 30.77% and 15.38% equity interests in Bone Medical from Xiehong Investment for RMB40 million and RMB20 million, respectively. PWM Investment also made a capital contribution of US\$7.17 million (approximately RMB45 million) to Bone Medical. As a result, the registered capital of Bone Medical increased to RMB1.35 million. The consideration for the above transfers and capital contribution was determined with reference to an independent valuation of the total shareholders' equity in Bone Medical as of July 31, 2012. Immediately after these steps, PWM Investment, Xiehong Investment, Walkman Biomaterial and Mr. WU Dong owned 48.57%, 39.26%, 11.43% and 0.74% equity interests in Bone Medical, respectively. Set forth below is the shareholding structure of Walkman Biomaterial and Bone Medical immediately after these steps.



We acquired Bone Medical primarily to expand our orthopedic implant product portfolio and enhance our competitiveness in China's orthopedic implant market. As of the Latest Practicable Date, Bone Medical had the second largest number of registration certificates

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among major domestic companies in terms of hip and knee implants, the major areas of joint implants, with five for hip implants and one for knee implants. With the addition of Bone Medical's products, we now offer the most complete product portfolio among major domestic companies, covering all major applications in each category of trauma, spine and joint. We expect joint products to be a key driver for our future revenue growth.

### *Acquisition and Disposition of Certain Other Subsidiaries*

With a view to further expanding our operations, Walkman Biomaterial and Yinger Biotechnology acquired 35% and 25% equity interests, respectively, in Renli Orthopedic in April 2012, and Walkman Biomaterial acquired the entire equity interest in Yinger Biotechnology in July 2012.

In September 2013, Walkman Biomaterial sold the entire equity interest in Yinger Biotechnology, which in turn held 25% equity interest in Renli Orthopedic, and the 35% equity interest in Renli Orthopedic directly held by it to Mr. YANG Fan (楊凡), an Independent Third Party, for a consideration of RMB8.6 million and RMB10.8 million, respectively. The consideration was determined based on arm's length negotiation between the parties. We acquired Renli Orthopedic primarily for its pipeline of joint products under development. As a result of our acquisition of Bone Medical in January 2013, which has five registration certificates for joint implants, Renli Orthopedic, which was not expected to obtain registration certificates for any products in the near future, became less important to our orthopedic business. Consequently, we decided to dispose of Renli Orthopedic. Renli Orthopedic contributed RMB2.5 million and RMB2.4 million to our revenue in 2012 and the six months ended June 30, 2013, respectively. Renli Orthopedic contributed a net loss of RMB1.3 million and RMB3.3 million in the same periods, respectively.

### **History of Our Infusion Set Business**

#### *Establishment and Interim Development*

We conduct our infusion set business through our PRC subsidiary, Fert Technology. Fert Technology was established in Beijing, China, in September 1997, with a registered capital of RMB3.8 million. At the time of its establishment, Fert Technology was owned by a group of corporate and individual shareholders, all Independent Third Parties, among which Beijing Manborui Technology Co., Ltd. (北京曼博瑞技術有限責任公司), or Manborui Technology, was the largest shareholder with a 40% equity interest in Fert Technology. Manborui Technology subscribed for the registered capital of Fert Technology with a combination of cash and contribution-in-kind in the form of technology patents.

Fert Technology had undergone a series of changes in its registered capital and shareholding structure during the interim period leading up to our acquisition. Immediately before the acquisition by Mr. ZHANG Wendong of PW Medtech (Beijing) in January 2011, Mr. GAN Ning (甘寧), PW Medtech (Beijing) and Mr. HUANG Tongwei (黃童維) owned



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59.37%, 25.63% and 15% equity interests in Fert Technology, respectively. PW Medtech (Beijing) was established by Mr. GAN Ning and Mr. HUANG Tongwei, both Independent Third Parties, as Beijing Bright Westward Investment Consultancy Co., Ltd. (北京光明西進投資諮詢有限公司) in August 2000, and changed to its current name in April 2013.

### *Acquisition of Fert Technology*

#### *Acquisition by Mr. ZHANG Wendong*

In January 2011, Mr. ZHANG Wendong acquired the entire equity interest in PW Medtech (Beijing) from Mr. GAN Ning and Mr. HUANG Tongwei for a total consideration of RMB120 million and became indirectly interested in 25.63% equity interest of Fert Technology. The consideration was based on arm's length negotiations among the parties. Mr. ZHANG Wendong conducted such acquisition on behalf of Ms. Yufeng LIU.

In March 2011, Mr. GAN Ning transferred a 44.37% equity interest in Fert Technology to Beijing Langjing Technology Co., Ltd. (北京朗淨科技有限公司), or Langjing Technology, an Independent Third Party. As a result of this transfer, Langjing Technology, PW Medtech (Beijing), Mr. GAN Ning and Mr. HUANG Tongwei owned 44.37%, 25.63%, 15% and 15% equity interests in Fert Technology, respectively.

In April 2011, PW Medtech (Beijing) acquired a 15% equity interest in Fert Technology from each of Mr. GAN Ning and Mr. HUANG Tongwei for a total consideration of RMB100 million. The consideration was based on arm's length negotiations among the parties. As a result, PW Medtech (Beijing) owned a 55.63% equity interest in Fert Technology. At the time of the acquisition, Fert Technology and PW Medtech (Beijing) owned 50% and 10% equity interests in Fert Device, respectively, which were subsequently disposed of. For details, see “— Disposal of Fert Device” below.

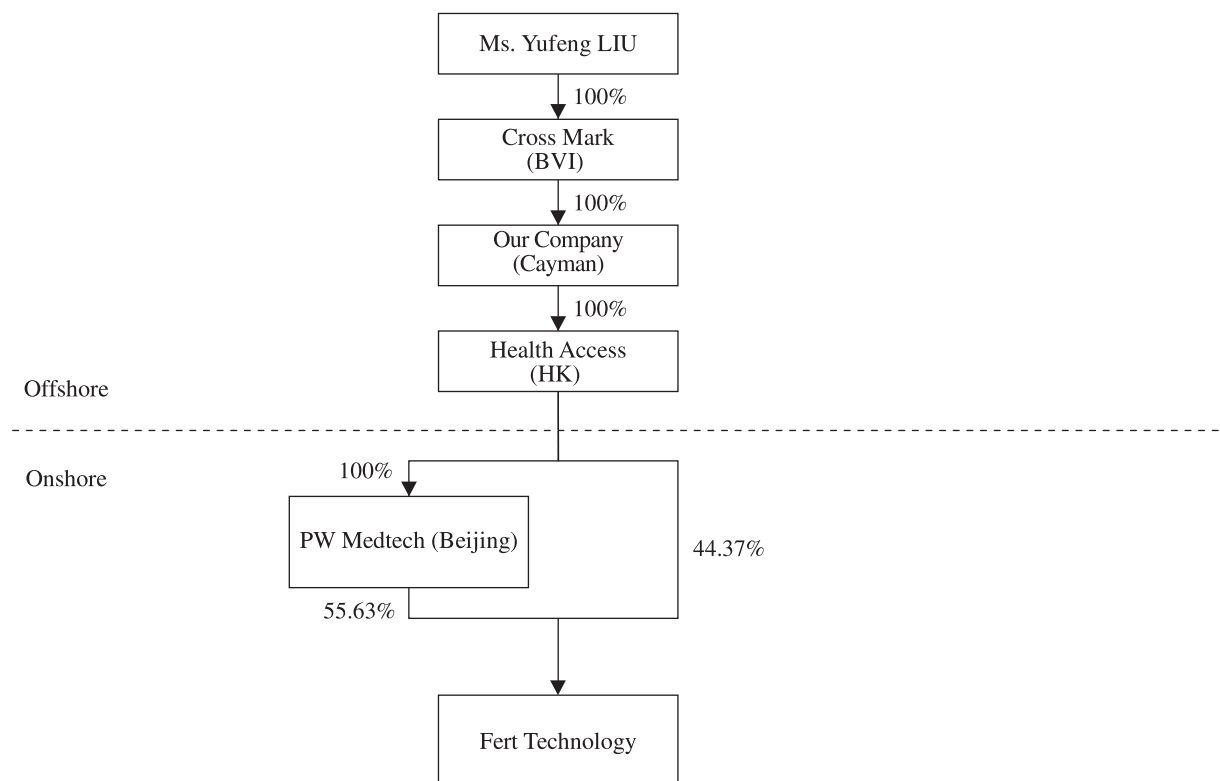
#### *Acquisition by Health Access*

In September 2011, Health Access, our wholly-owned Hong Kong subsidiary, acquired control in Fert Technology through the acquisition of the entire equity interest in PW Medtech (Beijing) from Mr. ZHANG Wendong for a consideration of RMB120 million, representing the consideration paid by Mr. ZHANG Wendong in acquiring such equity interest in PW Medtech (Beijing) in January 2011.

In December 2012, Langjing Technology sold its 44.37% equity interest in Fert Technology to Health Access for a consideration of RMB180 million, which was determined with reference to an independent valuation of the equity value of Fert Technology as of December 31, 2011. The funds for acquiring the 100% equity interest in Fert Technology were primarily from a convertible loan extended by WP X. See “— Investment by WP X and Other Financial Investors.” Upon completion of the foregoing transactions, Fert Technology was restructured into a Sino-foreign joint venture. PW Medtech (Beijing) and Health Access owned

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55.63% and 44.37% equity interests in Fert Technology, respectively. Ms. Yufeng LIU became the sole ultimate owner of Fert Technology. Set forth below is the shareholding structure of Fert Technology immediately following our acquisition of the 100% equity interest in Fert Technology.



We acquired Fert Technology primarily because we believed that advanced infusion sets were a high growth, high margin segment of the PRC medical device sector and Fert Technology in particular had significant potentials to become a market leader in this segment, including its technology in producing precision filter infusion sets and development of non-PVC-based infusion tubing. In evaluating the investment in Fert Technology, we also took into account favorable industry trends, including increasing awareness about infusion safety. Under our management, Fert Technology generated revenue of RMB99.8 million, RMB234.0 million and RMB147.1 million in Successor Period 2011, 2012 and the six months ended June 30, 2013, respectively, and segment operating profit of RMB90.9 million, RMB90.9 million and RMB56.6 million during the same periods, respectively.

### ***Investment by WP X and Other Financial Investors***

In October 2010, Mr. Marc CHAN (陳國泰) and Mr. LI Ngai (李毅) extended two loans to Cross Mark for its equity investment in Fert Technology. These loans had principal amounts of US\$15.5 million and US\$4.5 million, respectively, and the repayment obligations would be discharged upon the allocation of 19.38% and 5.62% equity interests, directly or indirectly, in Fert Technology to Mr. Marc CHAN's investment holding company and Mr. LI Ngai's

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investment holding company, respectively. For backgrounds of Mr. Marc CHAN and Mr. LI Ngai, see “Pre-IPO Investments — About Mr. Marc CHAN and Mr. Li Ngai.” See “— Reorganization” for the details of the debt-for-equity conversion.

Pursuant to an investment loan agreement dated June 2011, WP X extended a loan of US\$46.27 million (RMB300 million) to Ms. Yue’e ZHANG. Cross Mark was the guarantor for this loan. This fund was used for the acquisition of the entire equity interest in PW Medtech (Beijing), which then owned a 55.63% equity interest in Fert Technology, and the purchase of the remaining 44.37% equity interest in Fert Technology from Langjing Technology. The repayment obligations would be discharged upon the allocation of a 25% equity interest in our Company to WP X. See “— Reorganization” for the details of the debt-for-equity conversion.

### *Acquisitions of Zhong Jie Tian Gong and Yijia Medical*

With a view to further expanding our operations, in February 2012, Fert Technology acquired the entire equity interest in Zhong Jie Tian Gong, which holds the Pinggu facility, currently under construction. See “Business — Production Facilities — Infusion Sets.”

In May 2013, Fert Technology acquired the entire equity interest in Yijia Medical for a total consideration of RMB20 million from Mr. LU Jingli (陸敬禮), Ms. LIU Xingling (劉興玲) and Mr. LU Jingquan (陸敬權), all Independent Third Parties, based on arm’s length negotiations among the parties. We acquired Yijia Medical primarily to expand our production capacity of infusion sets. Due to the defective titles of certain properties held by Yijia Medical, the parties have agreed that Fert Technology will pay the purchase consideration in installments, which are conditioned upon certain milestones in the receipt of such title certificates. As of the Latest Practicable Date, it only made initial payments totaling RMB7.6 million under the equity transfer agreement. For details of such property defects, see “Business — Property — Owned Property.” Fert Technology made the initial payments with its own cash.

### *Disposal of Fert Device*

Prior to our acquisition of control in Fert Technology in April 2011, Fert Technology and PW Medtech (Beijing) owned 60% equity interests in Fert Device, which served as Fert Technology’s general distributor. Langjing Technology, a 44.37% shareholder of Fert Technology from March 2011 through December 2012, acquired the remaining 40% equity interest in Fert Device from Mr. GAN Ning. From the early stages of identifying Fert Technology as a potential investment, we had intended to acquire Fert Technology (with its products, product registration permits, technology and brand name as its principal value) without acquiring Fert Device, a medical device distribution company. With the growth of Walkman Biomaterial, we had successfully built an extensive nationwide distribution network of independent distributors. We planned to replicate the same strategy for Fert Technology by developing a nationwide sales network of independent distributors. In contrast, Mr. RAN

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Nianmo (冉年模), an Independent Third Party and the controlling shareholder of Langjing Technology, saw the value in Fert Device's distribution license and market position in Beijing and was interested in acquiring Fert Device without Fert Technology.

However, Mr. GAN Ning and Mr. HUANG Tongwei requested that all of their interests in Fert Technology and Fert Device be purchased together. In the interest of completing the acquisition, our Company (through Mr. ZHANG Wendong) and Mr. RAN Nianmo agreed to purchase Mr. GAN Ning's and Mr. HUANG Tongwei's respective interests in Fert Technology and Fert Device first, with the understanding that we would acquire the entire equity interests in Fert Technology while Mr. RAN Nianmo would acquire the entire equity interests in Fert Device thereafter.

As a result, shortly after completing the acquisition of Fert Technology in April 2011, Mr. RAN Nianmo and we completed negotiations on the sale of the aggregate 60% equity interests in Fert Device held by Fert Technology and PW Medtech (Beijing). We agreed to sell such equity interests to Mr. RAN Nianmo for an aggregate consideration of RMB4.6 million, which was based on arm's length negotiation between us and Mr. RAN Nianmo with a reference to Fert Device's net book value. The prices, at which we sold our equity interests in Fert Device, were substantially identical to its fair value for the purpose of acquisition accounting under HKFRS 3 as of the acquisition date of Fert Technology less the dividends received from Fert Device subsequently to acquisition date and before disposal date, and hence no gain or loss was recognized for the sale of the equity interests. In July 2011 and August 2012, Fert Technology and PW Medtech (Beijing) completed the transfer of their 50% and 10% equity interests in Fert Device to Langjing Technology and Mr. RAN Nianmo, respectively. Subsequently in December 2012, Langjing Technology completed the transfer of its 44.37% equity interest in Fert Technology to Health Access for RMB180 million pursuant to an equity transfer agreement between the parties dated June 6, 2012.

### **Establishment and Development of Our Company**

On May 13, 2011, our Company was incorporated in the Cayman Islands as Pyholding Limited under the Companies Law as an exempted company with an authorized share capital of US\$50,000, divided into 50,000 shares with a par value of US\$1.00 each. Stockton Nominees Limited subscribed for one share of par value US\$1.00 each. On the same day, the said one share was transferred to Ms. Yufeng LIU, and 99 new shares of par value US\$1.00 each was allotted to Ms. Yufeng LIU. Our Company was then wholly owned by Ms. Yufeng LIU. In September 2012, Ms. Yufeng LIU transferred 100 shares of par value US\$1.00 each in the share capital of our Company, being all the issued shares of our Company at that time, to Cross Mark for a nominal consideration, and remained the sole beneficial owner of our Company. In January 2013, the share capital of our Company was sub-divided into 500,000,000 Shares with a par value of US\$0.0001 each, such that every one share of par value US\$1.00 each would be sub-divided into 10,000 Shares of par value US\$0.0001 each, and as a result of the sub-division, the authorized share capital of our Company became

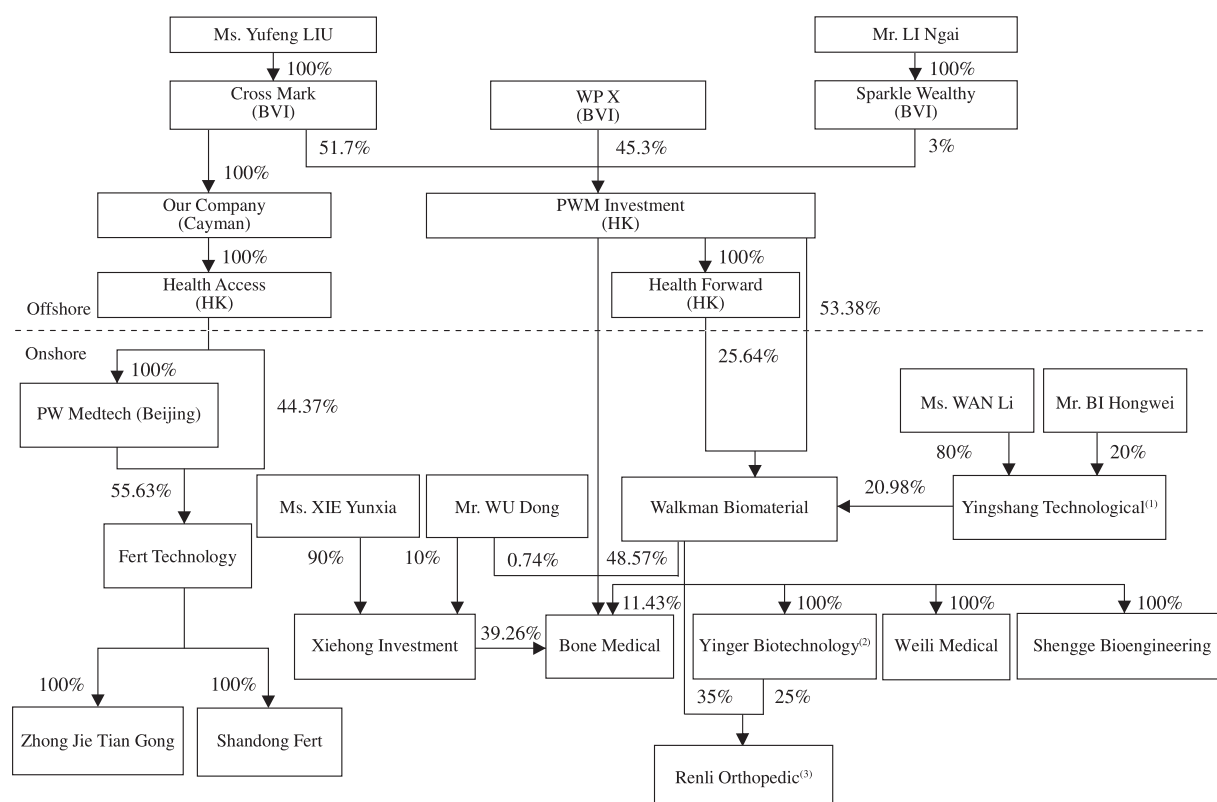
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US\$50,000 divided into 500,000,000 par value US\$0.0001 each. In October 2013, the authorized share capital of our Company was further increased to US\$500,000, divided into 5,000,000,000 Shares of par value US\$0.0001 each.

Cross Mark subscribed for a total of 62,560,163 Shares of par value US\$0.0001 each of our Company for a total amount of US\$62.56 million, equivalent to US\$1.00 per Share, of which US\$37 million had been paid as of December 2012. The funds for such subscription were from convertible loans from WP X and other financial investors. This capital contribution was further injected into Health Access to finance the acquisition of Fert Technology. The balance was contributed in subsequent closings as part of the Reorganization.

In June 2013, we changed the name of our Company to PW Medtech Group Limited (普华和顺集团公司) as part of the Reorganization.

Set forth below is the shareholding structure of our Group and PWM Investment immediately prior to the Reorganization.



(1) In April 2013, Ms. WAN Li and Mr. BI Hongwei transferred their respective equity interests in Yingshang Technological to Tianqiong Investment, an investment holding company wholly owned by them.

(2) We sold the entire equity interest in Yinger Biotechnology to Mr. YANG Fan, an Independent Third Party, in September 2013.

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- (3) The remaining 40% equity interest in Renli Orthopedic is owned by Zhong Jian Kang Da. We sold the 60% equity interests directly and indirectly held in Renli Orthopedic to Mr. YANG Fan in September 2013.

### REORGANIZATION

Beginning in February 2013, we have undertaken the Reorganization in anticipation of the Global Offering. The Reorganization, which was primarily designed to combine the offshore holding companies and streamline the corporate and shareholding structure of our Group, consisted of the following principal steps.

#### Reorganization of PRC Subsidiaries

##### *Walkman Biomaterial — Cash Buyout of Minority Shareholders*

In May 2013, PWM Investment acquired the entire equity interest in Tianqiong Investment from Ms. WAN Li and Mr. BI Hongwei for a total consideration of RMB120 million, and Walkman Biomaterial became a wholly-owned subsidiary of PWM Investment. The consideration was based on arm's length negotiations among the parties with reference to an independent valuation of the net asset value of Tianqiong Investment.

##### *Fert Technology — Capital Contribution*

In June 2013, Health Access made a capital contribution of RMB50 million in Fert Technology. As a result, Health Access and PW Medtech (Beijing) owned 86.52% and 13.48% equity interests in Fert Technology, respectively.

##### *Bone Medical — Cash Buyout of Minority Shareholders*

In June 2013, PWM Investment acquired the remaining 40% equity interests in Bone Medical beneficially owned by Mr. WU Dong and Ms. XIE Yunxia for a total consideration of RMB58.44 million. The consideration was based on arm's length negotiations among the parties with reference to an independent valuation of the net asset value of Bone Medical. Bone Medical became a wholly-owned subsidiary of PWM Investment.

#### Reorganization of Offshore Listing Structure

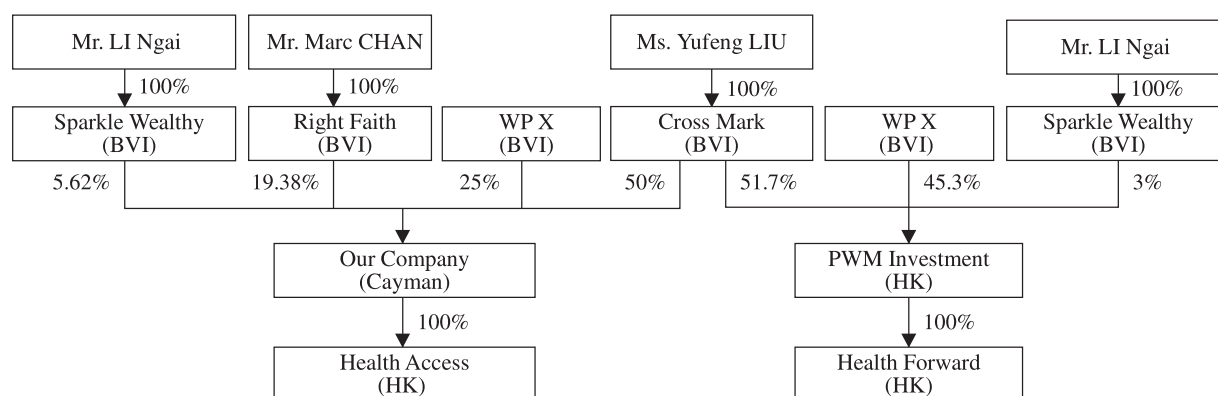
##### *Debt-for-Equity Conversion by WP X and Other Financial Investors*

In February 2013, Cross Mark transferred 12,317,324 Shares of par value US\$0.0001 each and 3,572,081 Shares of par value US\$0.0001 each, being 19.38% and 5.62% equity interests in our Company at that time, to Right Faith, a BVI business company wholly owned by Mr. Marc CHAN, and Sparkle Wealthy, respectively, to settle the loans that Mr. Marc CHAN and Mr. LI Ngai extended to Cross Mark in October 2010 in connection with its equity investment in Fert Technology.

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In January 2013, Ms. Yue'e ZHANG assigned her rights and obligations under the June 2011 loan agreement with WP X to Cross Mark. In March 2013, Cross Mark transferred 15,890,041 Shares of par value US\$0.0001 each, being a 25% equity interest in our Company at that time, to WP X in settlement of such loan.

As a result of the foregoing transactions, Cross Mark, WP X, Right Faith and Sparkle Wealthy owned 50%, 25%, 19.38% and 5.62% equity interests in our Company, respectively. Set forth below is the offshore shareholding structure of our Group and PWM Investment immediately after the foregoing transactions.



### ***Consolidation of PWM Investment into Our Group***

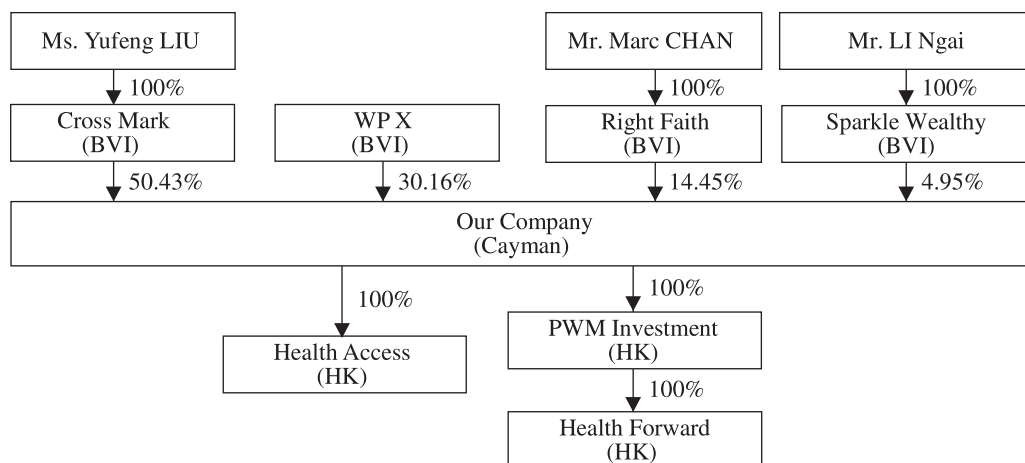
Pursuant to a share subscription agreement dated May 8, 2013, our Company acquired the entire equity interest in PWM Investment from its then-existing shareholders, namely, Cross Mark, WP X and Sparkle Wealthy, in exchange for our ordinary shares. Our Company allotted and issued a total of 21,658,670 Shares to the then-existing shareholders of PWM Investment, as consideration for the ordinary shares of PWM Investment acquired by us. As a result of this share swap, Cross Mark, WP X, Right Faith and Sparkle Wealthy owned 50.43%, 30.16%, 14.45% and 4.95% equity interests in our Company, respectively. Our orthopedic implant and infusion businesses have thus been combined and consolidated into our Group in anticipation of the Global Offering.

As part of the consolidation, our Company entered into an amended and restated shareholders agreement on May 27, 2013 and an amendment thereto on August 26, 2013 with each of Cross Mark, WP X, Right Faith and Sparkle Wealthy. Pursuant to this shareholders agreement, each of Cross Mark and WP X has a right of first offer with respect to any proposed transfer of ordinary Shares (other than a transfer to an affiliate) by another Shareholder (including Right Faith and Sparkle Wealthy). If Cross Mark or WP X, as applicable, does not elect to exercise such right of first offer, it will have a tag along right to participate in such proposed transfer of ordinary Shares. The right of first offer and tag along

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right are among Cross Mark, WP X, Right Faith and Sparkle Wealthy only and do not affect other Shareholders, and will terminate upon the completion of the Global Offering. Right Faith and Sparkle Wealthy are not entitled to such right of first offer or tag along right.

Set forth below is the offshore shareholding structure of our Group immediately after the consolidation of PWM Investment into our Group.



### ***Capital Contribution by Minority Shareholders***

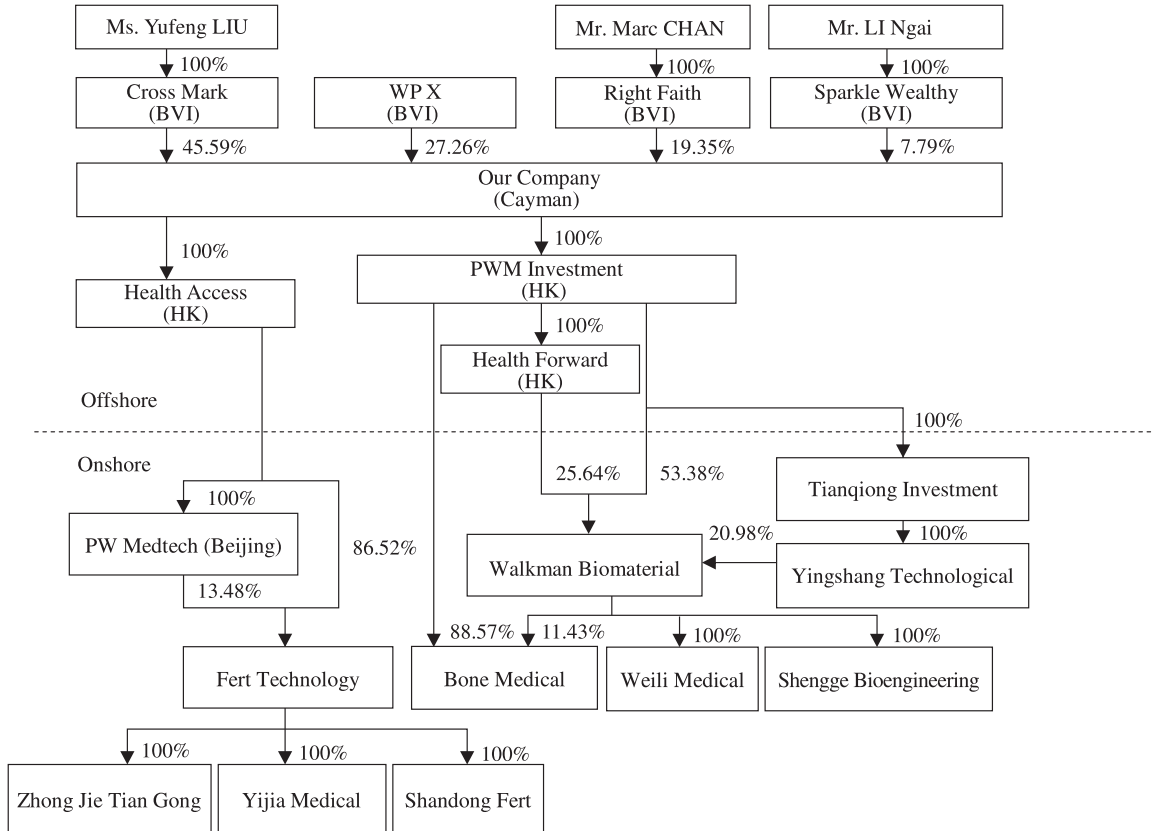
Pursuant to a share subscription agreement dated May 24, 2013, Right Faith and Sparkle Wealthy subscribed for 5,929,204 Shares and 3,126,308 Shares of par value US\$0.0001 each of our Company for a consideration of US\$17.79 million and US\$9.38 million, respectively, equivalent to US\$3.00 per share based on arm's length negotiations among the parties. Upon completion of this capital contribution, Cross Mark, WP X, Right Faith and Sparkle Wealthy owned 45.59%, 27.26%, 19.35% and 7.79% equity interests in our Company, respectively. The proceeds from this capital contribution were used to finance the cash buyout of minority interests in Walkman Biomaterial and Bone Medical, respectively, as part of the Reorganization.



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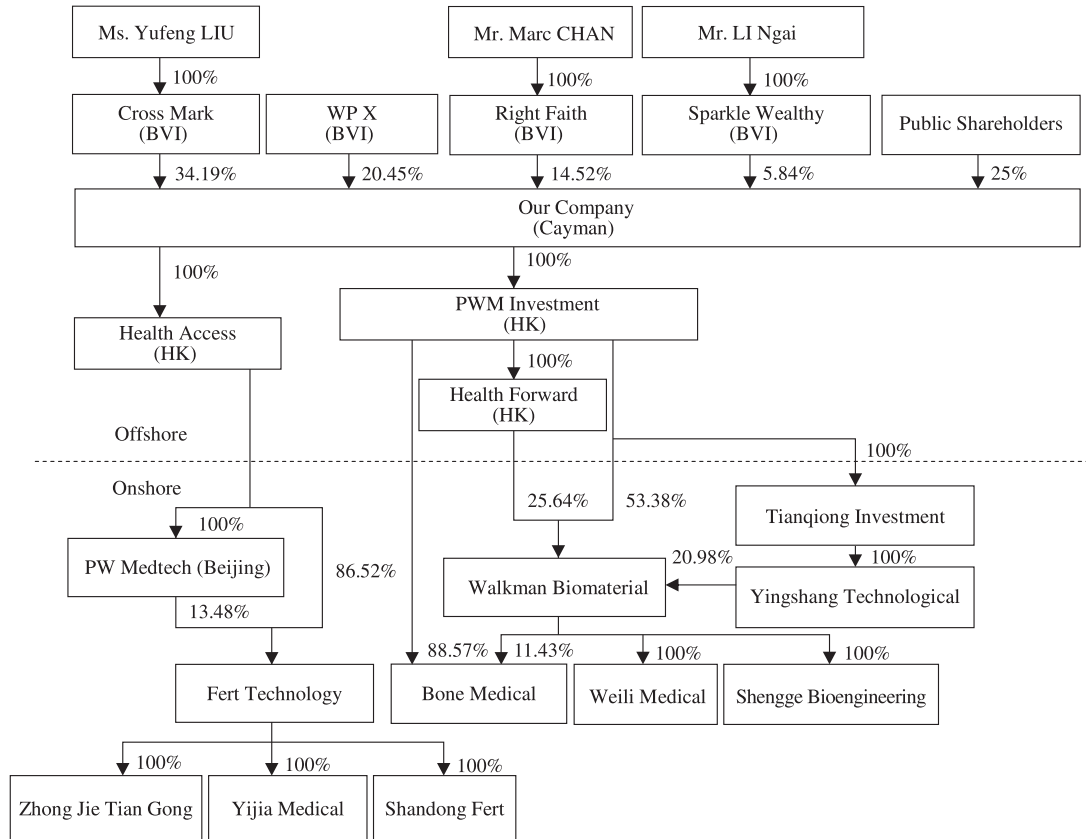
## OUR CORPORATE STRUCTURE

The following diagram illustrates our corporate and shareholding structure immediately prior to the Global Offering, assuming no exercise of any option under the Pre-IPO Share Option Scheme and the Share Option Scheme.



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The following diagram illustrates our corporate and shareholding structure immediately after the Global Offering, assuming neither the Over-allotment Option nor any option under the Pre-IPO Share Option Scheme and the Share Option Scheme is exercised.



# HISTORY AND CORPORATE DEVELOPMENT

## PRE-IPO INVESTMENTS

The table below summarizes the details of the pre-IPO investments in our Group. For further information, see “— History and Development” and “— Reorganization” above.

Name of pre-IPO investor	Brief description of investment	Date of investment/ agreement	Consideration paid (US\$)	Payment date of consideration	No. of shares subscribed or transferred	Cost per Share paid by each pre-IPO investor upon completion of Global Offering (US\$)	Discount to Offer Price <sup>(1)</sup>	Approximate percentage of shareholding interests held by pre-IPO investor in our Company immediately prior to Global Offering	Approximate percentage of shareholding interests held by pre-IPO investor in our Company upon completion of Global Offering <sup>(2)</sup>
WP X	Loan to Ms. Yue'e ZHANG for the acquisition of Fert Technology, which was assigned to Cross Mark and converted to equity interest in our Company on March 7, 2013	June 9, 2011	46,274,873	March 7, 2013	15,890,041	N/A	N/A	N/A	N/A
	Capital contribution by PWM Investment, then a wholly-owned subsidiary of WP X, in Walkman Biomaterial, which was exchanged into equity interest in our Company through a share swap on May 27, 2013	September 9, 2010	10,325,000	May 27, 2013	N/A <sup>(3)</sup>	N/A	N/A	N/A	N/A
	Initial share subscription in PWM Investment for equity investment in Walkman Biomaterial, which was exchanged into equity interest in our Company through a share swap on May 27, 2013	December 3, 2010	13,999,871	May 27, 2013	N/A <sup>(4)</sup>	N/A	N/A	N/A	N/A
	Follow-on share subscription in PWM Investment for equity investment in Walkman Biomaterial and Bone Medical, which was exchanged into equity interest in our Company through a share swap on May 27, 2013	September 27, 2012	7,805,519	May 27, 2013	9,811,378 <sup>(5)</sup>	N/A	N/A	N/A	N/A
<b>Total</b>						<u>0.208<sup>(6)</sup></u>	<u>46.06%</u>	<u>27.26%</u>	<u>20.45%</u>
Right Faith	Loan to Cross Mark for its equity investment in Fert Technology, which was converted to equity interest in our Company on February 22, 2013	October 15, 2010	15,500,000	February 22, 2013	12,317,324	N/A	N/A	N/A	N/A
	Share subscription in our Company for cash buyout of minority interests in Walkman Biomaterial	May 24, 2013	17,794,170	May 29, 2013	5,929,204	N/A	N/A	N/A	N/A
<b>Total</b>						<u>0.143<sup>(7)</sup></u>	<u>62.92%</u>	<u>19.35%</u>	<u>14.52%</u>

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Name of pre-IPO investor	Brief description of investment	Date of investment/ agreement	Consideration paid (US\$)	Payment date of consideration	No. of shares subscribed or transferred	Cost per Share paid by each pre-IPO investor upon completion of Global Offering (US\$)	Discount to Offer Price <sup>(1)</sup>	Approximate percentage of shareholding interests held by pre-IPO investor in our Company immediately prior to Global Offering	Approximate percentage of shareholding interests held by pre-IPO investor in our Company upon completion of Global Offering <sup>(2)</sup>
Sparkle Wealthy	Loan to Cross Mark for its equity investment in Fert Technology, which was converted to equity interest in our Company on February 22, 2013	October 15, 2010	4,500,000	February 22, 2013	3,572,081	N/A	N/A	N/A	N/A
	Initial share subscription in PWM Investment for equity investment in Walkman Biomaterial and Bone Medical, which was exchanged into equity interest in our Company through a share swap on May 27, 2013	September 17, 2012	956,235	May 27, 2013	N/A <sup>(8)</sup>	N/A	N/A	N/A	N/A
	Follow-on share subscription in PWM Investment for equity investment in Walkman Biomaterial and Bone Medical, which was exchanged into equity interest in our Company through a share swap on May 27, 2013	September 27, 2012	515,922	May 27, 2013	649,760 <sup>(9)</sup>	N/A	N/A	N/A	N/A
	Share subscription in our Company for cash buyout of minority interests in Bone Medical	May 24, 2013	9,382,381	May 29, 2013	3,126,308	N/A	N/A	N/A	N/A
<b>Total</b>						<u>0.164<sup>(10)</sup></u>	<u>57.47%</u>	<u>7.79%</u>	<u>5.84%</u>

- (1) It is based on HK\$2.99 per Share, being the mid-point of the Offer Price and the exchange rate of US\$1 to HK\$7.7541.
- (2) It assumes that neither the Over-allotment Option nor any option under the Pre-IPO Share Option Scheme and the Share Option Scheme is exercised.
- (3) WP X became 41.15% indirectly interested in Walkman Biomaterial through PWM Investment, which was then wholly owned by WP X.
- (4) WP X subscribed for 3,670 shares in PWM Investment.
- (5) WP X subscribed for additional 1,755 shares in PWM Investment. Our Company subsequently issued 9,811,378 Shares to WP X in exchange for 6,425 shares held by it in PWM Investment, including 1,000 shares which WP X initially acquired in PWM Investment for nominal consideration.
- (6) The cost per Share paid by WP X is calculated as its net investment in our Group, directly and indirectly through PWM Investment, in the amount of US\$68.08 million, divided by the Shares to be held by WP X immediately upon the completion of the Global Offering.

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- (7) The cost per Share paid by Right Faith is calculated as its net investment in our Group in the amount of US\$33.30 million, divided by the Shares to be held by Right Faith immediately upon the completion of the Global Offering.
- (8) Sparkle Wealthy subscribed for 309 shares in PWM Investment.
- (9) Sparkle Wealthy subscribed for additional 116 shares in PWM Investment. Our Company subsequently issued 649,760 Shares to Sparkle Wealthy in exchange for 425 shares held by it in PWM Investment.
- (10) The cost per Share paid by Sparkle Wealthy is calculated as its net investment in our Group in the amount of US\$15.35 million, divided by the Shares to be held by Sparkle Wealthy immediately upon the completion of the Global Offering.

The Shares associated with the pre-IPO investments in our Group, namely, the Shares held by WP X, Right Faith and Sparkle Wealthy, are subject to a six-month lockup period.

### **About WP X**

WP X is a company incorporated in the BVI, wholly owned by Warburg Pincus Private Equity X, L.P. and Warburg Pincus X Partners, L.P., private equity funds managed by Warburg Pincus LLC, a New York limited liability company.

### **About Mr. Marc CHAN and Mr. LI Ngai**

Mr. Marc CHAN and Mr. LI Ngai are both private investors, and were Independent Third Parties prior to investing in our Group. The funds for Mr. Marc CHAN's investment in our Group were from his private business and investments. Mr. LI Ngai is a private investor with a focus on the stock market, and the funds for his investment in our Group were from his family business and investments. The Shares held by Mr. Marc CHAN and Mr. LI Ngai through Right Faith and Sparkle Wealthy, respectively, are subject to a six-month lockup period.

To the best knowledge of our Directors, each of the above pre-IPO investors is independent from each other and did not act in concert with respect to their investments in our Group. The Shares held by WP X and Right Faith will not form part of our Company's public float upon Listing.

## **COMPLIANCE WITH LAWS**

### **Circular 75**

According to SAFE's Notice on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and Roundtrip Investment via Overseas Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), or Circular 75, promulgated on October 21, 2005 and effective on November 1, 2005, PRC residents who establish or control offshore special purpose vehicles, or SPVs, shall apply to the local branch of SAFE to register their overseas investments. Additionally, where a PRC resident contributes her assets or shareholding in a PRC enterprise

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into an offshore SPV, or engages in the shareholding alteration of an offshore SPV, with regard to the net interests she holds in such offshore SPV, she shall properly register or update her registration with the local branch of SAFE. Our PRC legal adviser is of the opinion that since Ms. Yufeng LIU is a citizen of New Zealand and both Mr. Marc CHAN and Mr. LI Ngai are citizens of Hong Kong, they are not PRC residents within the meaning of Circular 75. Accordingly, they are not subject to Circular 75 or required to go through registration procedures with respect to their overseas investments.

### **M&A Regulation**

Pursuant to Article 40 of the Provisions on the Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Regulation, promulgated on August 8, 2006 by six PRC governmental agencies and effective on September 8, 2006, any offshore SPV established for capital financing purposes and controlled directly or indirectly by PRC persons, shall obtain MOFCOM approval prior to such offshore SPV acquiring any related entities or assets in the PRC, as well as CSRC approval prior to the listing and trading of the securities of such offshore SPV on an overseas stock exchange. Consequently, our PRC legal adviser is of the opinion that, with regard to the consolidation of PWM Investment into our Group as a Reorganization step, given that Ms. Yufeng LIU, Mr. Marc CHAN and Mr. LI Ngai, as beneficial owners of our Company immediately prior to the Global Offering, are not PRC persons as defined under the M&A Regulation, the acquirer, our Company and its beneficial owners, including WP X and three SPVs controlled by Ms. Yufeng LIU, Mr. Marc CHAN and Mr. LI Ngai, respectively, do not constitute offshore SPVs under the M&A Regulation. Accordingly, such consolidation is not governed by the M&A Regulation. Therefore, the Reorganization and the Global Offering do not require the approval of MOFCOM or CSRC or any other PRC governmental authorities.

Our PRC legal adviser has also confirmed that we have obtained all material approvals and permits required under PRC laws and regulations in connection with each stage of the acquisitions of our PRC subsidiaries, the Reorganization and the Global Offering.