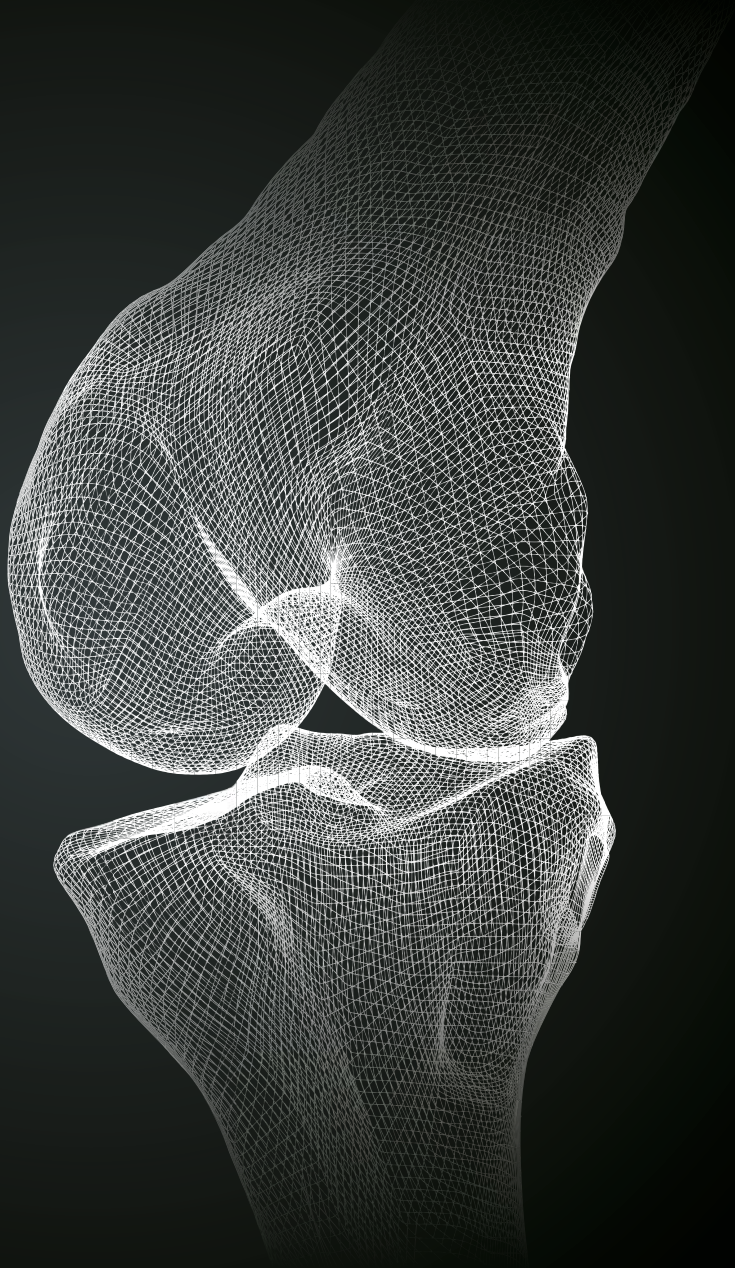
愛康醫療控股有限公司

AK Medical Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 1789



GLOBAL OFFERING

Sole Sponsor, Sole Global Coordinator and Sole Bookrunner

Goldman Sachs

Joint Lead Managers

Goldman Sachs

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

IMPORTANT

IMPORTANT: If you are in any doubt about the contents of this prospectus, you should seek independent professional advice.

AK MEDICAL HOLDINGS LIMITED
愛康醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares	**:**	**250,000,000 Shares (subject to the Over-Allotment Option)**
Number of International Placing Shares	**:**	**225,000,000 Shares (subject to adjustment and the Over-Allotment Option)**
Number of Hong Kong Offer Shares	**:**	**25,000,000 Shares (subject to adjustment)**
Maximum Offer Price	**:**	**HK$2.00 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**1789**

Sole Sponsor, Sole Global Coordinator and Sole Bookrunner

Goldman Sachs

Joint Lead Managers

Goldman Sachs

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss whatsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in Appendix V—"Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

Please see "Risk Factors" for a discussion of certain risks that you should consider before investing in the Shares. The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, December 13, 2017 and, in any event, not later than Tuesday, December 19, 2017. The Offer Price will be not more than HK$2.00 and is currently expected to be not less than HK$1.66, unless otherwise announced. If, for any reason, the Offer Price is not agreed by Tuesday, December 19, 2017 between the Sole Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not proceed.

Applications for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$2.00 for each Offer Share, together with a 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, subject to refund if the Offer Price should be lower than HK$2.00 as finally determined.

The Sole Global Coordinator (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. For more details, see "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to procure applications to subscribe or purchase, or to subscribe or purchase, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and outside the United States in offshore transactions in reliance on Regulation S.

December 7, 2017

EXPECTED TIMETABLE[1]

Hong Kong Public Offering commences and
WHITE and **YELLOW** Application Forms available from[2] . . . . . 9:00 a.m. on
Thursday, December 7, 2017

Latest time to complete electronic applications under
HK eIPO White Form service through the designated
website **www.hkeipo.hk**[2] . . . . . .11:30 a.m. on
Tuesday, December 12, 2017

Application lists open[3] . . . . . .11:45 a.m. on
Tuesday, December 12, 2017

Latest time to lodge **WHITE** and **YELLOW**
Application Forms. . . . . .12:00 noon on
Tuesday, December 12, 2017

Latest time to complete payment of
HK eIPO White Form applications by effecting
Internet banking transfer(s)
or PPS payment transfer(s) . . . . . .12:00 noon on
Tuesday, December 12, 2017

Latest time to give **electronic application instructions**
to HKSCC[4] . . . . . .12:00 noon on
Tuesday, December 12, 2017

Application lists close[3] . . . . . .12:00 noon on
Tuesday, December 12, 2017

Expected Price Determination Date[5] . . . . . .Wednesday, December 13, 2017

Announcement of:

- Offer Price;
- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Placing; and
- the basis of allotment of the Hong Kong Public Offering

is expected to be published in South China Morning Post (in English)
and Hong Kong Economic Times (in Chinese) on or before . . . . . .Tuesday,
December 19, 2017

A full announcement of the Hong Kong Public Offering
containing the information above will be published
on the website of the Stock Exchange at **www.hkexnews.hk**[6]
and our website at **www.ak-medical.net**[6] from . . . . . .Tuesday,
December 19, 2017

Results of allocations in the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function from . . . . . .Tuesday, December 19, 2017

Dispatch of share certificates in respect of wholly or partially successful applications on . . . . . .Tuesday, December 19, 2017

Dispatch of **HK eIPO White Form** e-Auto refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications on[7][8][9] . . . . . .Tuesday, December 19, 2017

Dealings in Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . . .Wednesday, December 20, 2017

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates. Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering" in this prospectus.

(2) You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, December 12, 2017, the application lists will not open and close on that day. For more details, please see "How to Apply for the Hong Kong Offer Shares—10. Effect of Bad Weather on the Opening of the Application Lists". If the application lists do not open and close on Tuesday, December 12, 2017 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made by us in such event.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for the Hong Kong Offer Shares—6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS" in this prospectus.

(5) We expect to determine the Offer Price by agreement with the Sole Global Coordinator (on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Wednesday, December 13, 2017, and in any event no later than Tuesday, December 19, 2017. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinators (on behalf of the Underwriters) and us by Tuesday, December 19, 2017, the Hong Kong Public Offering and the International Placing will not proceed. Notwithstanding that the Offer Price may be fixed at below the maximum Offer Price of HK$2.00 per Share payable by applicants for Hong Kong Offer Shares under the Hong Kong Public Offering, applicants for the Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$2.00 for each Share, together with the brokerage fee of 1.0%, a Stock Exchange trading fee of 0.005% and a SFC transaction levy of 0.0027% but will be refunded the surplus application monies as provided for in "How to Apply for the Hong Kong Offer Shares" in this prospectus.

(6) None of the websites or any of the information contained on the website forms part of this prospectus.

(7) Share certificates for the Offer Shares will become valid certificates of title at 8:00 a.m. on Wednesday, December 20, 2017, provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.

(8) e-Auto refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong Identity Card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong Identity Card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong Identity Card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong Identity Card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.

(9) Applicants who have applied on **WHITE** Application Forms or **HK eIPO White Form** for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information in their applications may collect refund cheques (where applicable) and/or Share certificates (where applicable) in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong between 9:00 a.m. to 1:00 p.m. on Tuesday, December 19, 2017. Applicants being individuals who opt for personal collection may not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering may collect their refund cheques, if any, in person but may not elect to collect their share certificates as such share certificates will be deposited into CCASS for the credit of their designated CCASS participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for the Hong Kong Offer Shares—14. Despatch/Collection of Share Certificates and Refund Monies—Personal Collection—(iv) If you apply via **Electronic Application Instructions** to HKSCC" in this prospectus for details. Uncollected share certificates and refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications. Further information is set out in "How to Apply for the Hong Kong Offer Shares—13. Refund of Application Monies" and "How to Apply for the Hong Kong Offer Shares—14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

The above expected timetable is a summary only. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, December 12, 2017, the application lists will not open and close on that day. Please refer to "How to Apply for the Hong Kong Offer Shares—10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus. You should refer to "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

CONTENTS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

OVERVIEW

We are the first and only medical device company that has commercialized the application of 3D-printing technology in orthopedic joint and spine replacement implants in China, commanding a leading position in the Chinese orthopedic joint implant market. We design, develop, produce and market orthopedic implants, with a focus on hip and knee replacement implants. Our products include orthopedic joint implants for primary surgeries as well as those specifically designed for revision surgeries for the replacement, repair or enhancement of an implant or component from a previous procedure. We also market orthopedic products produced by third parties as a distributor to complement our product offerings to customers.

Our Industry and Market Position

The general orthopedic implant market consists of three major segments: trauma implants, spine replacement implants and orthopedic joint implants. According to Frost & Sullivan, the orthopedic joint implant market was the second largest segment of China's general orthopedic implant market in 2016 by both surgery volume and revenue. The orthopedic joint implant market mainly consists of the hip and knee replacement implant sectors. The orthopedic joint implant market grew the fastest among the three segments at a CAGR of 14.5% in terms of surgery volume and 13.9% in terms of revenue from 2012 to 2016. The spine replacement implant market also outgrew the industry average, representing a CAGR of 14.0% in terms of surgery volume and 13.6% in terms of revenue from 2012 to 2016. China's orthopedic joint implant market and spine replacement implant market are projected to further grow to RMB7.8 billion and RMB5.1 billion in terms of revenue, respectively, in 2021, representing a CAGR of 13.7% and 9.5%, respectively, between 2016 and 2021.

We market our products under the brand name of "AK Medical" ("愛康"), which was the bestselling brand of orthopedic joint implants in China by sales volume in 2016, according to Frost & Sullivan. "AK Medical" ("愛康") was also the bestselling domestic orthopedic joint implant brand by revenue in 2016. In 2016, we had a market share of 14.3% in terms of sales volume and 6.0% in terms of revenue in the orthopedic joint implant market in China. We had a larger market share in terms of sales volume than revenue because products of international brands generally have higher ex-factory prices than those of domestic brands.

Our Product Portfolio and Services

We design, develop, produce and market orthopedic implants, with a focus on hip and knee replacement implants. In addition, we rolled out our 3D-printed spinal interbody cages and artificial vertebral bodies in 2016, thereby entering into the spine replacement implant market. We also market orthopedic products produced by third parties as a distributor to complement our product offerings to our customers.

The following table sets forth a breakdown of our revenue by product type for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in thousands of RMB, except percentages)									
Off-the-shelf products										
Knee replacement implants	45,566	30.7%	60,567	29.4%	83,008	30.7%	35,418	30.7%	47,417	29.2%
Hip replacement implants[1]	92,734	62.5	132,692	64.4	158,871	58.7	69,062	59.9	94,594	58.2
3D-printed products[2]	–	–	1,060	0.5	12,131	4.5	3,004	2.6	9,777	6.0
Third party orthopedic products	9,013	6.1	9,148	4.4	10,785	4.0	5,292	4.6	6,893	4.2

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in thousands of RMB, except percentages)									
Others[3]	965	0.7	2,697	1.3	5,982	2.2	2,571	2.2	3,836	2.4
Total	148,278	100.0%	206,164	100.0%	270,777	100.0%	115,347	100.0%	162,517	100.0%

(1) Excluding 3D-printed hip replacement implants.

(2) Including our 3D-printed hip replacement implants, spinal interbody cages and artificial vertebral bodies.

(3) Others include primarily surgical instruments and medical irrigators.

We developed and introduced our personalized 3D Accurate Construction Technology solutions, or "3D ACT solutions", in July 2014 to help our products penetrate more hospitals. Our 3D ACT solutions assist surgeons in simulating and planning for implant surgeries, simplify surgical processes, offer personalized surgical instruments and pre-surgery selected implants and improve patients' recovery experience significantly. Our 3D ACT solutions integrate our proprietary Physician-Technician Interaction Platform, or "PTIP", which is currently provided as a complimentary service, with our technologies for producing 3D-printed and/or off-the-shelf surgical instruments and implant products, from which we generate revenue. See "Our Business—Our Product Portfolio and Services—3D ACT Solutions".

We offer a comprehensive range of products including 50 CFDA-approved medical devices. Among our 26 Class III medical devices, 24 are orthopedic joint implant products and two are spine replacement implants. Our product lines cover off-the-shelf products and 3D-printed products for primary, revision and reconstruction surgeries, being the most comprehensive in the orthopedic joint implant market among domestic brands in China. As compared to off-the-shelf products, 3D-printed products, which during the Track Record Period constituted a small portion of our sales, can match the complexity of natural joints, allowing for better biological fusion of bones and prosthesis, which is particularly suitable for patients who are physically active. Both our off-the-shelf products and 3D-printed products are regulated by the CFDA and are subject to similar requirements for obtaining CFDA approval. As of the Latest Practicable Date, our three CFDA-approved 3D-printed products included 3D-printed hip replacement implants, 3D-printed spinal interbody cages and 3D-printed artificial vertebral bodies, all of which were the only CFDA-approved 3D-printed orthopedic implant products in China, and we also had four pipeline 3D-printed products that were in the process of undergoing CFDA registration, including 3D-printed knee replacement implants, 3D-printed spine replacement implants, personalized 3D-printed cervical fusion and personalized 3D-printed pelvic prosthesis.

Customers, Sales and Distribution

During the Track Record Period, most of our revenue was derived from our sales in China. Consistent with the market practice in China, we sell our products primarily to third party distributors across China, which in turn resell our products either directly to hospitals in their designated territories with our authorization or to sub-distributors for ultimate sales to hospitals.

We also directly sell a portion of our products to hospitals through our wholly-owned subsidiary which holds the medical device business certificate. We mainly maintain these direct sales to establish and maintain direct relationships with certain key end hospital customers and

surgeons. The following table sets forth a breakdown of our revenue by sales channel for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in thousands of RMB, except percentages)									
Distributors	138,827	93.6%	195,654	94.9%	256,879	94.9%	110,103	95.5%	156,322	96.2%
Direct sales (through distributor subsidiary)	9,451	6.4	10,510	5.1	13,898	5.1	5,244	4.5	6,195	3.8
Total	148,278	100.0%	206,164	100.0%	270,777	100.0%	115,347	100.0%	162,517	100.0%

The following table sets forth a breakdown of our revenue by geographical regions for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in thousands of RMB, except percentages)									
China										
North China[1]	47,094	31.8%	61,039	29.6%	77,432	28.6%	30,747	26.7%	45,561	28.0%
East China[2]	44,002	29.7	61,633	29.9	67,301	24.9	27,206	23.6	38,240	23.5
South China[3]	7,053	4.8	10,555	5.1	11,161	4.1	5,666	4.9	11,582	7.1
Central China[4]	30,601	20.6	36,214	17.6	46,086	17.0	25,602	22.2	31,093	19.1
West China[5]	19,446	13.1	33,779	16.4	57,269	21.1	23,271	20.2	32,755	20.2
Overseas[6]	82	0.1	2,944	1.4	11,528	4.3	2,855	2.5	3,286	2.0
Total	148,278	100.0%	206,164	100.0%	270,777	100.0%	115,347	100.0%	162,517	100.0%

(1) Including the municipalities of Beijing and Tianjin, the provinces of Liaoning, Jilin, Heilongjiang, Hebei, Shanxi and the autonomous region of Inner Mongolia.

(2) Including the municipality of Shanghai, the provinces of Shandong, Jiangsu, Anhui, Zhejiang and Fujian.

(3) Including the provinces of Guangdong and Hainan, and the autonomous region of Guangxi.

(4) Including the provinces of Jiangxi, Henan, Hunan and Hubei.

(5) Including the municipality of Chongqing, the provinces of Sichuan, Yunnan, Guizhou, Shaanxi, Gansu and Qinghai, and the autonomous regions of Xinjiang and Ningxia.

(6) During the Track Record Period, we exported our products to 27 overseas jurisdictions through overseas distributors, including the United Kingdom, India, Mali, Ecuador, Kenya, the United States, South Korea, Thailand, Turkey, Indonesia, Pakistan, the United Arab Emirates, Fiji, Chile, Paraguay, Morocco, Singapore, the Philippines, Mozambique, Burkina Faso, Greece, Hong Kong, Nigeria, Argentina, Brazil, Malaysia and Guatemala. As of June 30, 2017, our overseas distributors covered 15 overseas jurisdictions as we did not export our products to the United Kingdom, Mali, Ecuador, Kenya, the United States, Thailand, Turkey, Paraguay, Morocco, Mozambique, Burkina Faso and Hong Kong in the six months ended June 30, 2017.

In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our total revenue derived from our top five customers, which includes four distributors and one direct hospital customer, were RMB28.5 million, RMB34.3 million, RMB42.3 million, RMB21.5 million and RMB25.3 million, respectively, representing 19.2%, 16.7%, 15.6%, 18.6% and 15.6% of our revenue. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our revenue derived from our single largest customer were RMB7.2 million, RMB9.2 million, RMB12.4 million, RMB5.2 million and RMB7.9 million, respectively, representing 4.9%, 4.5%, 4.6%, 4.5% and 4.9% of our revenue.

We have an extensive and growing nationwide distribution network. As of June 30, 2017, we had 650 distributors for our products, covering all of the provinces, municipalities and autonomous regions in China and 15 overseas jurisdictions. The following table sets forth the movements in the number of our distributors for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2014	2015	2016	2017
Distributors at the beginning of the period	416	553	609	637
Addition of new distributors	147	69	38	19
Termination of distributors	(10)	(13)	(10)	(6)
Net increase/(decrease) in distributors	137	56	28	13
Distributors at the end of the period	553	609	637	650

As of December 31, 2014, 2015 and 2016 and as of June 30, 2017, our distribution network covered over 1,600, 1,800, 2,000 and 3,000 hospitals in China, respectively. Some of our distributors engage sub-distributors of their own. We believe our distributors engage sub-distributors mainly to expand their sales network to hospitals that are not yet covered by their own sales. In general, we do not enter into direct contractual relationships with sub-distributors.

For sales to our distributors, we have set a nationwide standard price, which we determine after taking into account the successful bidding price for sales to the relevant hospitals, the market positioning and target customers of the specific products, the prevailing market price of similarly positioned products, and our costs and overall profit margin. When we and our distributors are required to participate in a public tender process for the right to sell certain products to hospitals and medical institutions, the price of such products is determined by the public tender processes. See "Our Business—Customers, Sales and Distribution—Pricing" for details.

Research and Development

We had an internal R&D team consisting of 42 members as of the Latest Practicable Date. Our chief engineer has over seven years' experience in the application of 3D-printing technologies to orthopedic products. Our director of research center has over 10 years of R&D experience in orthopedic implants. As of the Latest Practicable Date, our R&D activities had yielded 36 invention patents, 140 utility patents and two patents under the PCT. We also had 134 pending invention patents, 77 pending utility patents and six pending patent applications filed under the PCT. We had obtained 26 CFDA registration certificates for Class III medical devices. We also have eight on-going applications for registration approval by CFDA or its local counterpart.

Our R&D capabilities help us build our robust product pipeline. As of the Latest Practicable Date, we had four products, including two hip replacement implants, one knee replacement implant and one spine replacement implant, in the post-clinical trial stage, one 3D-printed knee replacement implant in the clinical trial stage and one 3D-printed spine replacement implant pending pre-clinical trial approval. From 2018 to 2020, we plan to launch six new products, including 3D-printed knee replacement implants. See "Business—Product Pipeline".

Production Facilities

Our production facilities are located in Beijing, China. Our production facilities occupy a total gross floor area of 5,321 sq. m. We design, develop and produce all our surgical instruments and orthopedic implants in-house in our production facilities, other than certain production procedures for certain products, such as surgical instruments which we outsource to third parties.

The production capacity for our knee replacement implants amounted to 7,800 sets, 21,000 sets, 28,000 sets, and 14,000 sets in 2014, 2015, 2016 and the six months ended June 30, 2017, respectively, which remained stable after 2015 when we automated certain production procedures. Our utilization rate for our knee replacement implants reached 112.6%, 63.5%, 73.7% and 77.6% for the same periods, respectively. The increase after 2015 was primarily driven by an increase in our sales volume. The production capacity for our off-the-shelf hip replacement implants amounted to 56,000 set, 58,000 sets, 74,000 sets and 37,000 sets in 2014, 2015, 2016 and the six months ended June 30, 2017, respectively. Driven by an increase in our sales volume, the utilization rate for our off-the-shelf hip replacement implants represented an increasing trend, reaching 56.8%, 83.3%, 87.1% and 80.1% in the same periods, respectively. See "Our Business—Production—Production Facilities" for details.

In order to grow our business, we are in the process of expanding our production capacity by constructing the Changzhou Facilities, which will be located in the Changzhou Xitaihu Industry Park, Changzhou, Jiangsu Province, China. The Changzhou Facilities is expected to occupy a total gross floor area of 42,666 sq.m upon completion. We plan to produce all of our off-the-shelf products including orthopedic implants and surgical instruments at the Changzhou Facilities. After we relocate the production of all of our off-the-shelf products to the Changzhou Facilities, we plan to dedicate our existing production facilities in Beijing to the R&D and production of 3D-printed products. We expect that part of the Changzhou Facilities will have the necessary equipment installed and be ready for production by the second half of 2018. See "Our Business—Production—Changzhou Facilities".

Raw Materials and Suppliers

The principal raw materials for our orthopedic implants include titanium alloy, cobalt-chromium-molybdenum alloy and ultra-high molecular weight polyethylene materials and certain product components such as ceramic heads. We purchase most of our raw materials from China, except ceramic heads and certain raw materials for our ML femoral stems, which we purchase from Germany and the United Kingdom, respectively.

In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, purchases from our top five suppliers were RMB26.2 million, RMB47.8 million, RMB34.0 million, RMB14.3 million and RMB31.4 million, respectively, representing 71.6%, 62.2%, 44.7%, 40.2%, and 51.2% of our total purchases, respectively. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, purchases from our single largest supplier were RMB13.2 million, RMB16.2 million, RMB11.5 million, RMB3.7 million and RMB11.4 million, respectively, representing 36.2%, 21.1%, 15.1%, 10.4%, and 18.6% of our total purchases, respectively.

Inventory Management

Our inventories include raw materials, work-in-progress and finished products. Similar to other orthopedic implant companies, our products have a relatively long production cycle. Therefore, we strive to maintain a robust inventory management policy to ensure sufficient raw materials for production and sufficient finished goods to meet customer demands in a timely manner without destabilizing our liquidity. In general, we keep a finished goods inventory level of two to six months depending on different types of products. Based on this inventory level and our estimated sales volume, we procure raw materials taking into account the production cycle of each product. In order to improve our inventory management, we began using an ERP system in July 2014 to better align our material procurement, production, warehousing and delivery process with outstanding and estimated purchase orders from our customers. The following table sets forth our inventories turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2014	2015	2016	2017
Inventories turnover days[1]	257	265	276	274

(1) The inventories turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of inventories in that period by cost of sales for the corresponding period and then multiplying by the days of the relevant period.

We aim to maintain effective inventory management and control our inventories turnover days within 280 days. Our inventories turnover days were 257 days in 2014, 265 days in 2015 and 276 days in 2016. The increases in the turnover days resulted from (1) our launch of new products in 2015 and 2016, which required us to build up an initial inventory level and (2) the increased inventory levels of raw materials which we expected to experience a price rise. Our inventories turnover days were 274 days in the six months ended June 30, 2017, reflecting our enhanced efforts to control our inventories and the growth of our revenue, partially offset by inventories maintained in Changzhou Facilities for experiment and product development purposes.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success and differentiated us from our competitors, and will continue to drive our success:

- we have proven medtech innovation capabilities, having introduced the revolutionary personalized 3D ACT solutions to the Chinese orthopedic implant market;
- we are a leader in the fast-growing orthopedic joint implant market in China and enjoying strong brand name recognition among surgeons;
- we have strong R&D capabilities driven by 3D-printing technologies;
- we are well-positioned to benefit from the import substitution trend of the orthopedic joint implant market in China;
- we have an extensive nationwide distribution network which is supported by a strong sales and marketing team; and
- we have an experienced and dedicated management team and our founder and chairman, Mr. Li, has extensive clinical experience in and insightful knowledge of orthopedic practices in China.

OUR STRATEGIES

We strive to become a world-class innovative medtech company and continue to offer personalized solutions and implant products to surgeons and patients. In particular, we plan to implement the following strategies:

- further ramp up the application of our personalized 3D ACT solutions in both high-end and mass markets to further drive the growth of our product sales, broaden our product portfolio, and enhance customer stickiness;
- expanding the breadth of our product portfolio into newly-captured orthopedic product market sectors; and
- explore strategic acquisition and alliance opportunities.

SELECTED HISTORICAL FINANCIAL INFORMATION

You should read the summary historical consolidated financial statements set forth below in conjunction with our consolidated financial statements included in Appendix I—"Accountants' Report" to this prospectus, together with the accompanying notes, which have been prepared in accordance with IFRS. The summary historical financial statements as of and for the years ended December 31, 2014, 2015, 2016 and six months ended June 30, 2017 are derived from our audited consolidated financial statements, including the notes thereto, set forth in Appendix I—"Accountants' Report" to this prospectus. The unaudited consolidated statements of profit or loss for the six months ended June 30, 2016 are derived from our unaudited consolidated financial statements set forth in Appendix I—"Accountants' Report" to this prospectus.

Consolidated Statements of Profit or Loss

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
							(unaudited)			
	(in thousands of RMB, except for percentages)									
Revenue	148,278	100.0%	206,164	100.0%	270,777	100.0%	115,347	100.0%	162,517	100.0%
Cost of sales	(46,933)	(31.7)	(64,108)	(31.1)	(83,466)	(30.8)	(35,470)	(30.8)	(50,814)	(31.3)
Gross profit	101,345	68.3	142,056	68.9	187,311	69.2	79,877	69.2	111,703	68.7
Other income	1,778	1.2	823	0.4	793	0.3	368	0.3	1,854	1.1
Selling and distribution expenses	(17,416)	(11.7)	(28,782)	(14.0)	(36,229)	(13.4)	(14,098)	(12.2)	(19,660)	(12.1)
General and administrative expenses	(12,377)	(8.3)	(22,262)	(10.8)	(38,115)	14.1	(20,180)	(17.5)	(18,276)	(11.2)
Research and development expenses	(15,539)	(10.5)	(18,878)	(9.2)	(20,390)	7.5	(8,266)	(7.2)	(17,929)	(11)
Operating profit	57,791	39.0	72,957	35.4	93,370	34.5	37,701	32.7	57,692	35.5
Net finance income	2,506	1.7	2,994	1.5	1,657	0.6	988	0.9	478	0.3
Profit before tax	60,297	40.7	75,951	36.8	95,027	35.1	38,689	33.5	58,170	35.8
Income tax expense	(8,576)	(5.8)	(11,044)	(5.4)	(17,701)	(6.5)	(5,467)	(4.7)	(8,120)	(5.0)
Profit	51,721	34.9%	64,907	31.5%	77,326	28.6%	33,222	28.8%	50,050	30.8%

We grew rapidly during the Track Record Period. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our revenue amounted to RMB148.3 million, RMB206.2 million, RMB270.8 million, RMB115.3 million and RMB162.5 million, respectively. We generate our revenue primarily from the sales of our off-the-shelf products and partially from our 3D-printed products. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our revenue generated from sales of off-the-shelf products, consisting of knee replacement implants and hip replacement implants was RMB138.3 million, RMB193.3 million, RMB241.9 million, RMB104.5 million and RMB142.0 million, accounting for 93.3%, 93.7%, 89.3%, 90.6% and 87.4% of our total revenue, respectively.

We launched our first 3D-printed product in August 2015. In 2015, 2016 and the six months ended June 30, 2016 and 2017, our revenue generated from sales of our 3D-printed products was RMB1.1 million, RMB12.1 million, RMB3.0 million and RMB9.8 million, accounting for 0.5%, 4.5%, 2.6% and 6.0% of our total revenue, respectively. See "Financial Information—Consolidated Statements of Profit or Loss" for more details.

Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
Non-current assets				
Property, plant and equipment	29,528	48,908	69,837	88,918
Intangible assets	1,820	5,947	6,571	9,131
Deferred tax assets	4,174	4,877	6,670	8,372
Other non-current assets	88	45	—	—
Total non-current assets	35,610	59,777	83,078	106,421
Current assets				
Inventories	34,720	58,400	67,805	84,848
Trade receivables	18,975	43,330	66,757	66,131
Bills receivable	5,073	14,531	14,773	23,590
Deposits, prepayments and other receivables	5,108	7,618	12,525	13,209
Available-for-sale financial assets	70,000	—	—	—
Cash and cash equivalents	43,161	100,094	160,597	165,628
Total current assets	177,037	223,973	322,457	353,406
Current liabilities				
Trade payables	14,691	29,408	33,740	43,974
Accruals and other payables	16,530	45,021	31,195	45,876
Current tax	2,707	5,875	8,917	11,382
Deferred revenue	15,373	18,033	21,922	22,209
Provisions	1,764	2,482	3,260	4,027
Total current liabilities	51,065	100,819	99,034	127,468
Net current assets	125,972	123,154	223,423	225,938
Total assets less current liabilities	161,582	182,931	306,501	332,359
Non-current liabilities				
Deferred income	5,631	5,993	8,208	7,892
Deferred tax liabilities	–	–	3,900	3,900
Total non-current liabilities	5,631	5,993	12,108	11,792
NET ASSETS	155,951	176,938	294,393	320,567
Capital and reserves				
Share capital	34,000	55,556	1	1
Reserves	121,951	121,382	294,392	320,566
Total equity attributable to owners of the Company	155,951	176,938	294,393	320,567

We had net trade receivables of RMB19.0 million, RMB43.3 million, RMB66.8 million and RMB66.1 million as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively, which were receivables from our customers for sales of our products. The significant increase between December 31, 2014 and 2015 was mainly due to an increase in our business scale, and because we granted credit periods to more qualified distributors and longer credit periods to some of our other distributors to attract competent distributors so that we could maintain and expand our distribution network and enter into new markets. The increase between 2015 and 2016 was mainly due to (1) an increase in our business scale and (2) revolving credit granted to several qualified distributors covering provinces in Southern China where we intend to strengthen our market presence.

Our inventories increased from RMB34.7 million as of December 31, 2014 to RMB58.4 million as of December 31, 2015, to RMB67.8 million as of December 31, 2016, and to RMB84.8 million as of June 30, 2017, primarily due to (1) the increase in our sales volume and (2) our launch of various new products. We are generally required to build up an initial inventory level for new products for future sales, which leads to a higher ratio of inventory level to sales volume for new products than existing products. We had property, plant and equipment of RMB29.5 million, RMB48.9 million, RMB69.8 million and RMB88.9 million as of December 31, 2014, 2015, 2016 and June 30, 2017, respectively. The increases of property, plant and equipment during the Track Record Period related primarily to our continuing expansion of production capacity of our existing production facilities, as well as purchases of new equipment for producing 3D-printed products and R&D purposes.See "Financial Information—Analysis of Selected Consolidated Balance Sheet Items" for more details.

Summary Consolidated Statements of Cash Flows

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
				(unaudited)	
	(in thousands of RMB)				
Net cash generated from operating activities	51,092	36,302	69,643	5,676	56,479
Net cash (used in)/generated from investing activities	(16,020)	44,462	(27,166)	(18,816)	(26,901)
Net cash (used in)/generated from financing activities	(30,600)	(23,911)	14,037	45,491	(23,403)
Net increase in cash and cash equivalents	4,472	56,853	56,514	32,351	6,175

See "Financial Information—Liquidity and Capital Resources" for details.

Key Financial Ratios

	As of and for the year ended December 31,			As of and for the six months ended June 30,
	2014	2015	2016	2017
Gross margin	68.3%	68.9%	69.2%	68.7%
Return on equity[(1)]	35.6%	39.0%	32.8%	N/A
Return on assets[(2)]	26.5%	26.2%	22.4%	N/A
Current ratio[(3)]	346.7%	222.2%	325.6%	277.3%

(1) Return on equity is calculated by dividing (i) profit by (ii) the average of the beginning and end balance of total equity attributable to owners of our Company of a given period and multiplying by 100.0%.

(2) Return on assets is calculated by dividing (i) profit by (ii) the average of the beginning and end balance of total assets of a given period and multiplying by 100.0%.

(3) Current ratio is calculated by dividing (i) current assets by (ii) current liabilities at the end of the period and multiplying by 100.0%.

The following table sets forth a breakdown of the sales volume and average selling price of our major products for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Sales Volume[1] (sets)	Average Selling Price (RMB)	Sales Volume[1] (sets)	Average Selling Price (RMB)	Sales Volume[1] (sets)	Average Selling Price (RMB)	Sales Volume[1] (sets)	Average Selling Price (RMB)	Sales Volume[1] (sets)	Average Selling Price (RMB)
Off-the-shelf products										
Knee replacement products	8,920	5,108	11,887	5,095	17,105	4,853	7,051	5,023	9,424	5,032
Hip replacement products	37,475	2,475	44,652	2,972	57,650	2,756	24,666	2,800	28,941	3,269
3D-printed products	–		214	[2]	2,842	[2]	730	[2]	2,441	[2]

(1) Sales volume represents the number of sets of our off-the-shelf knee and hip replacement products and pieces of our 3D-printed products sold, respectively.

(2) Our Directors are of the view that it is not meaningful to illustrate the average selling price of our 3D-printed products, as the prices of our 3D-printed products vary significantly.

During the Track Record Period, the average selling prices of our products varied due primarily to changes to our product mix. In particular, new products generally have a higher selling price than comparable existing products. Consequently, launching new products had a positive impact on our average selling price. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, the average selling price for our knee replacement implants was RMB5,108, RMB5,095, RMB4,853, RMB5,023 and RMB5,032 per set, respectively. In the same periods, the average selling price for our off-the-shelf hip replacement implants was RMB2,475, RMB2,972, RMB2,756, RMB2,800 and RMB3,269 per set, respectively. Such fluctuation in the average selling price of our off-the-shelf knee and hip replacement implants was primarily driven by the introduction of new products to our product portfolio.

The following table sets forth a breakdown of revenue and gross margin by feature of our products for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Revenue	Gross Margin	Revenue	Gross Margin	Revenue	Gross Margin	Revenue	Gross Margin	Revenue	Gross Margin
	(in thousands of RMB, except percentage)									
Off-the-shelf products										
Knee replacement implants										
For primary surgeries	41,098	68.5%	56,346	73.1%	77,159	71.6%	32,730	72.6%	43,993	73.1%
For revision surgeries	4,468	76.1	4,221	73.3	5,850	76.9	2,688	77.8	3,424	82.1
Hip replacement implants										
For primary surgeries	41,039	71.9	51,788	73.4	68,740	71.9	30,120	69.9	38,015	71.8
For revision surgeries	11,235	78.1	14,215	80.9	18,329	81.8	8,640	80.1	10,785	84.2
Common components[1]	40,460	66.3	66,689	61.9	71,801	60.9	30,302	61.0	45,794	60.2
3D-printed products										
Hip replacement implants	–	N/A	1,060	87.3	11,490	82.6	3,004	84.6	7,710	81.6
Spine replacement implants	–	N/A	–	N/A	641	97.8	–	N/A	2,067	95.9
Third-party orthopedic products	9,013	46.0	9,149	51.7	10,785	46.7	5,292	55.2	6,893	40.9
Others[2]	965	59.8	2,696	50.7	5,982	71.5	2,571	83.0	3,836	45.2
Total	148,278	68.3%	206,164	68.9%	270,777	69.2%	115,347	69.2%	162,517	68.7%

(1) Common components are components that can be used for both primary surgeries and revision surgeries.

(2) Others primarily represent surgical instruments and medical irrigators.

During the Track Record Period, gross margin of our off-the-shelf products was generally affected by our product mix. In particular, off-the-shelf products for revision surgeries generally had a higher gross margin than orthopedic joint implants for primary surgeries during the Track Record Period, as they generally required more precision in the development and production. During the Track Record Period, gross margin of common components of off-the-shelf hip replacement implants was lower than the other types of off-the-shelf hip replacement implants. This was mainly because a majority of our common components were introduced prior to the Track Record Period and thus were priced lower.

Our 3D-printed products had a much higher gross margin as compared to other products. Our 3D-printed products are generally priced higher than their off-the-shelf counterparts because (1) there are no other comparable 3D-printed products in the Chinese market, which renders a competitive advantage allowing us to command higher selling prices; and (2) the higher average unit cost of producing them as 3D-printing machines are generally more expensive than our production equipment for off-the-shelf products. As a result, the gross margin of our 3D-printed products were relatively high during the Track Record Period. However, since our 3D-printed products have only recently been launched, their sales volume was relatively low during the Track Record Period. As a result, our 3D-printed products did not have a significant impact on our overall gross margin.

RECENT DEVELOPMENTS

In August 2017 and October 2017, our Board declared dividends of U.S. dollar equivalent of RMB11.0 million and RMB39.0 million, respectively, both of which had been paid in full before the Listing.

In the nine months ended September 30, 2017, our unaudited revenue increased by 42.6% to RMB247.7 million from RMB173.7 million in the same period in 2016. The increase was driven by a growth in sales volume of all our main product categories, namely off-the-shelf knee and hip replacement implants and, to a lesser extent, 3D-printed products. In the nine months ended September 30, 2017, our unaudited gross profit increased by 41.8% to RMB170.9 million from RMB120.5 million in the same period in 2016, which was in line with our revenue growth. Our gross profit margin remained stable, being 69.0% and 69.4% in the nine months ended September 30, 2017 and 2016, respectively.

The financial information for the nine months ended September 30, 2017 as mentioned above is derived from our unaudited interim financial information for the nine months ended September 30, 2017, which has been reviewed by our reporting accountants, KPMG, in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, other than as set forth above, there has been no material adverse change in our financial and trading position or prospects since June 30, 2017, and there is no event since June 30, 2017 which could materially affect the information shown in our audited consolidated financial statements, including the notes thereto, set forth in Appendix I—"Accountants' Report" to this prospectus.

OUR SHAREHOLDING STRUCTURE

Immediately after completion of the Capitalization Issue and the Global Offering (without taking into account any Shares that may be allotted and issued upon exercise of the Over-Allotment Option or the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), our Company will be owned as to 59.52825% in aggregate by Ximalaya and Summer, 6.74325% by Suntop and 1.22850% by Sanbao.

Ximalaya is owned as to 50% by Mr. Li, who is the chief executive officer of our Company, an executive Director, the chairman of our Board, and as to 50% under the Family Trust. The Family Trust was established by Mr. Li as settlor, with Trident Trust acting as the trustee. The beneficiaries of the Family Trust are Mr. Li and certain of his family members. Trident Trust holds 100% of the issued share capital of Rainbow Holdings, which holds 50% of the issued share capital of Ximalaya.

Summer is wholly owned by Ms. Zhang Bin, who is the spouse of Mr. Li. Ms. Zhang Bin is an executive Director and a senior vice president of our Company. Accordingly, each of Ximalaya, Summer, Trident Trust, Rainbow Holdings, Mr. Li and Ms. Zhang Bin will be our Controlling Shareholders upon the Listing.

Suntop is wholly owned by Mr. Zhang Chaoyang, an executive Director and a senior vice president of our Company. Sanbao is owned as to 30.22% by Ms. Zhao Xiaohong, an executive Director and the chief financial officer of our Company, 19.23% by Mr. Qi Yajun, the general manager of the sales department of AK Medical Beijing, 8.24% by Ms. Wang Caimei, the director of research center of AK Medical Beijing, 8.24% by Mr. Liu Aiguo, a vice general manager of AK Medical Beijing and 1.65% by Mr. Zhang Weiping, the chief engineer of AK Medical Beijing.

PRE-IPO INVESTOR

OrbiMed Asia, being our pre-IPO investor, subscribed for 10,000 Series A Preferred Shares (each convertible into one Ordinary Share pursuant to its terms) in our Company, representing 10% of the total number of Shares in issue as at the Latest Practicable Date on an as-converted basis, at an aggregate consideration of RMB140,000,000. The consideration under the Pre-IPO Investment was fully settled and received by us on February 29, 2016. See "History, Reorganization and Development—Pre-IPO Investment".

PRE-IPO SHARE OPTION SCHEME

We conditionally adopted the Pre-IPO Share Option Scheme on November 17, 2017. As of the Latest Practicable Date, options to subscribe for an aggregate of 36,000,000 Shares were conditionally granted by our Company under the Pre-IPO Share Option Scheme. If all options granted under the Pre-IPO Share Option Scheme which remained outstanding as at the Latest Practicable Date are exercised and that 1,036,000,000 Shares, comprising 1,000,000,000 Shares to be in issue immediately after the Global Offering and the Capitalization Issue and 36,000,000 Shares to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme which remained outstanding as at the Latest Practicable Date, were deemed to have been in issue, but not taking into account any Shares which may be allotted and issued upon the exercise of the Over-Allotment Option or any option which may be granted under the Share Option Scheme, this would have a dilutive effect of approximately 3.47% on the shareholding and the earnings per Share of our Shareholders. See Appendix IV—"Statutory and General Information—Other Information—15. Share Option Schemes—B. Pre-IPO Share Option Scheme" to this Prospectus.

LISTING EXPENSES

We have incurred professional and other fees in connection with the Listing. In accordance with the relevant accounting standards, Listing related fees that are directly attributable to issuance of new Shares are recorded as prepaid expenses, which will be deducted from equity upon the Listing. The remaining Listing related fees are charged to statements of profit or loss. We expect that the total amount of Listing related expenses, including underwriting commission and incentive fee, will be approximately RMB59.5 million, assuming the mid-point of the Offer Price range stated in this prospectus. Of such expenses, RMB32.5 million are expected to be charged to our consolidated statements of profit or loss. Of this RMB32.5 million, RMB21.3 million was recognized as general and administrative expenses during the Track Record Period and the balance amount of RMB11.2 million is expected to be recognized in 2017.

DIVIDENDS

We declared dividends of RMB30.6 million, RMB118.0 million, RMB30.1 million and RMB23.1 million in 2014, 2015 and 2016 and six months ended June 30, 2017, respectively, all of which had been paid as of the Latest Practicable Date. However, we do not have a specific dividend policy or a predetermined dividend payout ratio. The determination to pay dividends in the future will be made at the direction of our Board and will be based on our profits, cash flows, financial condition, capital requirements and other conditions that our Board deems relevant. The payment of dividends may be limited by other legal restrictions and agreements that we may enter into in the future.

NO MATERIAL ADVERSE CHANGE

Of our total Listing expenses, we expect RMB11.2 million will be recognized as general and administrative expenses in 2017, assuming the mid-point of the Offer Price range stated in this prospectus. After due and careful consideration, and taking into account our Listing expenses that would be recognized as general and administrative expenses in 2017, our Directors confirm that there has not been any material adverse change in our financial, operational or trading position since June 30, 2017 and up to the date of this prospectus.

OFFERING STATISTICS

Offer size	:	Initially 25.0% of the enlarged issued share capital of our Company (subject to the Over-Allotment Option)
Offering structure	:	Initially 10.0% for the Hong Kong Public Offering (subject to adjustment) and 90.0% for the International Placing (subject to adjustment and the Over-Allotment Option)
Over-Allotment Option	:	Up to 15.0% of the number of Offer Shares initially available under the Global Offering
Offer Price per Share	:	HK$1.66 to HK$2.00 per Offer Share

	Based on an Offer Price of HK$1.66 per Offer Share	Based on an Offer Price of HK$2.00 per Offer Share
Our Company's market capitalization upon completion of the Global Offering[2]	HK$1,660 million	HK$2,000 million
Unaudited pro forma adjusted net tangible asset per Share[3]	HK$0.72	HK$0.80

(1) All statistics in the table are based on the assumption that the Over-Allotment Option is not exercised.
(2) The calculation of market capitalization is based on 1,000,000,000 Shares expected to be in issue immediately upon completion of the Global Offering assuming the Over-Allotment Option is not exercised.
(3) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II—"Unaudited Pro Forma Financial Information" to this prospectus.

USE OF PROCEEDS

The following table sets forth the estimate of net proceeds from the Global Offering which we are expected to receive after deduction of underwriting commission, incentive fee and estimated expenses payable by us in connection with the Global Offering:

	Assuming the Over-Allotment Option is not exercised	Assuming the Over-Allotment Option is exercised in full
	(in millions of Hong Kong dollars)	
Assuming an Offer Price of HK$1.83 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)	386.5	451.7
Assuming an Offer Price of HK$2.00 per Offer Share (being the high end of the Offer Price range stated in this prospectus)	426.9	498.2
Assuming an Offer Price of HK$1.66 per Offer Share (being the low end of the Offer Price range stated in this prospectus)	346.2	405.3

We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 41.0% will be primarily used for the construction of the Changzhou Facilities, and, to a lesser extent, upgrading our existing facilities in Beijing and acquisition of new equipment for both the Changzhou Facilities and our existing facilities in Beijing. The current designed annual production capacity of the Changzhou Facilities is 150,000 sets of off-the-shelf orthopedic joint implants, representing approximately 1.5 times of our annualized production capacity for off-the-shelf orthopedic joint implants based on the six months ended June 30, 2017. We expect to reach this capacity by 2021. We aim to increase the production capacity of 3D-printed products by 33.3% by the end of 2018. See "Our Business—Production" for details;
- approximately 21.0% will be used in connection with the development and upgrade of our 3D-printed products and PTIP, including primarily funding the R&D of 3D-printed products, including the next generation of our existing 3D-printed products, procuring 3D-printing machines and relevant devices for R&D, and upgrading the data processing software, the instant messaging applications and the data base to enhance the efficiency of our PTIP, through which we can enhance the brand recognition of our 3D ACT solutions among hospitals and surgeons and expand its application into other orthopedic product market sectors such as bone tumor and maxillofacial sectors. See "Our Business—Our Strategies—Further ramp up the application of our personalized 3D ACT solutions in both high-end and mass markets to further drive the growth of our product sales, broaden our product portfolio, and enhance customer stickiness" for details;
- approximately 15.0% will be used for other R&D activities, including funding the development of off-the-shelf orthopedic products, including new generation of off-the-shelf orthopedic joint implants and spine replacement implants, as well as other off-the-shelf orthopedic products such as trauma and oral orthopedic products. See "Our Business—Our Strategies—Expanding the breadth of our product portfolio into newly-captured orthopedic product market sectors" for details;
- approximately 15.0% will be used for funding potential acquisitions and developing strategic alliances that could complement our existing product portfolio, technology and business growth. In particular, we plan to target companies that have CFDA registration certificates or related technologies for products that we do not currently produce but plan to develop in select areas. As of the Latest Practicable Date, we had considered several potential targets in Europe but discussion remained preliminary and we had not entered into any agreements or understanding. See "Our Business—Our Strategies—Explore strategic acquisition and alliance opportunities" for details; and
- approximately 8.0% will be used for general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro-rata basis if the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range. To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes and to the extent permitted by applicable laws and regulations, we may allocate part or all of the proceeds to short-term interest-bearing deposits or money market instruments with authorized financial institutions or licensed banks.

We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

RISK FACTORS

There are certain risks and uncertainties relating to an investment in our Shares. These risks include primarily: (1) risks relating to laws, rules and regulations applicable to the orthopedic implant market in China; (2) risks relating to our ability to develop and commercialize new products and solutions; (3) risks relating to our distribution network; and (4) risks relating to competition. See "Risk Factors".

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus. Certain other terms are explained in the section headed "Glossary" in this prospectus.

"AIC"	Administration of Industry and Commerce (工商行政管理機關) in China or, where the context so requires, State Administration of Industry and Commerce of China (中華人民共和國工商行政管理總局) or its delegated authority at provincial, municipal or other local level
"AK Medical Beijing"	Beijing AK Medical Co., Ltd* (北京愛康宜誠醫療器材有限公司) (formerly known as 北京愛康宜誠醫療器材股份有限公司), a company established under the Chinese laws on May 8, 2003 and owned as to 90% by AK Medical HK and 10% by Bright AK HK
"AK Medical Beijing Capital Increase Agreement"	a capital increase agreement dated July 30, 2015 entered into among Mr. Li, Mr. Zhang Chaoyang, Ms. Zhang Bin, Ms. Zhao Xiaohong, Ms. Li Huijiang, Ms. Wang Caimei, Ms. Liu Aiguo, Mr. Qi Yajun, Mr. Zhang Weiping and Bright AK HK on the terms as more particularly set out in "History, Reorganization and Development—Pre-IPO Investment—Introduction" and "History, Reorganization and Development—Reorganization—(2) Stage 1 of the Pre-IPO Investment and Capital Increase of AK Medical Beijing"
"AK Medical BVI"	AK Medical Investments Limited (愛康醫療投資有限公司), a company incorporated with limited liability under the laws of BVI on July 21, 2015 and wholly owned by our Company
"AK Medical Changzhou"	ITI Medical Co. Ltd.* (天衍醫療器材有限公司), a company established under the Chinese laws with limited liability on March 28, 2016 and wholly owned by AK Medical HK
"AK Medical HK"	AK Medical International Limited (愛康醫療國際有限公司), a company incorporated with limited liability under the laws of Hong Kong on July 28, 2015 and wholly owned by AK Medical BVI
"AK Medical XMKS"	Beijing Ximai Kesi Medical Device Limited* (北京西麥克斯醫療器械有限公司), a company established under the Chinese laws with limited liability on July 24, 2007 and wholly owned by AK Medical Beijing
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or, where the context so requires, any of them

"Articles" or "Articles of Association"	the second amended and restated articles of association of our Company, as amended from time to time, a summary of which is set out in the Appendix III to this prospectus
"Board" or "Board of Directors"	the board of directors of our Company
"Bright AK HK"	Bright AK Limited (formerly known as OrbiMed Asia AK Limited), a company incorporated with limited liability under the laws of Hong Kong on July 7, 2015 and wholly owned by AK Medical BVI
"Business Day"	any day (other than Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalization Issue"	the issue of Shares to be made upon capitalization of certain sums standing to be the credit of the share premium account of our Company as referred to in Appendix IV—"Information About Our Company—3. Resolutions in writing of our Shareholders passed on November 17, 2017" to this prospectus
"Cayman Islands Companies Law" or "Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended from time to time
"CCASS"	The Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CFDA"	China Food and Drug Administration (中國國家食品藥品監督管理總局)

"Changzhou Facilities"	our production facilities that are to be constructed inside of Changzhou Xitaihu Industry Park, Changzhou, Jiangsu Province, China
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of China and Taiwan
"China-based orthopedic joint implant company"	orthopedic joint implant companies with their headquarters located in China
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
"Company" or "our Company" or "AK Medical"	AK Medical Holdings Limited (愛康醫療控股有限公司), the holding company of our Group after the Reorganization and the listing vehicle for the Listing, which is an exempted company with limited liability incorporated on July 17, 2015 in the Cayman Islands and the Shares of which are to be listed on the Main Board of the Stock Exchange
"Controlling Shareholder(s)"	has the meaning ascribed to it in the Listing Rules and, unless the context requires otherwise, collectively refers to Ximalaya, Summer, Trident Trust, Rainbow Holdings, Mr. Li and Ms. Zhang Bin
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Indemnity"	the deed of indemnity dated November 17, 2017 executed by Ximalaya, Summer, Mr. Li and Ms. Zhang Bin in favor of our Company (for itself and as trustee for the benefit of each of its subsidiaries) on the terms as more particularly set out in Appendix IV—"Statutory and General Information—Other Information—16. Estate duty, tax and other indemnity"
"Deed of Non-competition"	the deed of non-competition dated November 17, 2017 executed by Ximalaya, Summer, Rainbow Holdings, Mr. Li and Ms. Zhang Bin in favor of our Company on the terms as more particularly set out in "Relationship with our Controlling Shareholders—Non-Compete Undertakings"

"Director(s)"	the director(s) of our Company
"EIT"	Enterprise Income Tax
"ERP"	Enterprise Resource Planning System
"Family Trust"	LZY Trust, a discretionary trust established by Mr. Li as settlor and the beneficiaries of which are Mr. Li and certain of his family members
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (弗若斯特沙利文(北京)諮詢有限公司上海分公司), a consulting firm that provides market research and analysis
"General Mandate"	the general mandate granted to our Directors by our Shareholders in relation to the issue of new Shares, further information on which is set forth in the paragraph under "Appendix IV—Statutory and General Information—Further information about our Group—3. Resolutions in writing of our Shareholders passed on November 17, 2017" in this prospectus
"Global Offering"	the Hong Kong Public Offering and the International Placing
"Group", "our Group", "we" or "us"	our Company and our subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HK eIPO White Form"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of HK eIPO White Form Service Provider, **www.hkeipo.hk**
"HK eIPO White Form Service Provider"	the HK eIPO White Form service provider designed by our Company as specified on the designated website at **www.hkeipo.hk**
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of China

"Hong Kong Offer Shares"	the 25,000,000 Shares being initially offered for subscription in the Hong Kong Public Offering, subject to adjustment as described in "Structure of the Global Offering—Pricing and Allocation" in this prospectus
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting—Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated December 5, 2017, relating to the Hong Kong Public Offering and entered into among the Sole Global Coordinator, the Hong Kong Underwriters, our Company, Mr. Li, Ms. Zhang Bin, Ximalaya and Summer
"IAS"	the International Accounting Standards
"IASB"	the International Accounting Standards Board
"IFRS"	International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the IASB
"independent third party(ies)"	any individual(s) or entity(ies) who, as far as our Directors are aware, is/are not connected persons of our Company within the meaning ascribed to it in the Listing Rules
"international orthopedic joint implant companies"	orthopedic joint implant companies with their headquarters located outside of China
"International Placing"	the placing of the International Placing Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S and in the United States solely to QIBs as defined in Rule 144A pursuant to an exemption from resignation under U.S. Securities Act
"International Placing Shares"	the 225,000,000 Shares being initially offered in the International Placing together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-Allotment Option, subject to adjustment as described in "Structure of the Global Offering—Pricing and Allocation" in this prospectus

"International Underwriter(s)"	the international underwriter(s) of the International Placing who is/are expected to enter into the International Underwriting Agreement as purchaser(s) on or around the Price Determination Date
"International Underwriting Agreement"	the underwriting agreement relating to the International Placing, which is expected to be entered into among our Company, the Sole Global Coordinator, Mr. Li, Ms. Zhang Bin, Ximalaya, Summer and the International Underwriters, among other parties
"Joint Lead Managers"	Goldman Sachs (Asia) L.L.C. and Guotai Junan Securities (Hong Kong) Limited
"Latest Practicable Date"	November 27, 2017, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Letter Agreement"	the letter agreement dated February 26, 2016 entered into among our Company, AK Medical BVI, AK Medical HK, AK Medical Beijing, AK Medical XMKS, Mr. Li, Ximalaya, Ms. Zhang Bin, Mr. Zhang Chaoyang, Suntop, Summer, Sanbao and OrbiMed Asia to amend certain term of the Series A Preferred Share Purchase Agreement, as more particularly set out in "History, Reorganization and Development—Pre-IPO Investment"
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about December 20, 2017 on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Memorandum of Association" or Memorandum"	the second amended and restated memorandum of association of our Company, as amended from time to time
"Medical Device Procurement List"	a medical device procurement list issued by the relevant government authorities in the respective provinces, municipalities and regions in China and hospitals must procure medical devices which are on this list through tender established by the relevant government authorities

"MOFCOM"	the Ministry of Commerce of China (中華人民共和國商務部), or where the context so requires, its counterparts at the local levels
"MOH"	the National Health and Family Planning Commission of China (中華人民共和國衛生和計劃生育委員會), formerly known as the Ministry of Health of China (中華人民共和國衛生部) prior to March 5, 2013
"Mr. Li"	Mr. Li Zhijiang (李志疆先生), the chief executive officer of our Company, an executive Director and the chairman of our Board. Mr. Li is also the spouse of Ms. Zhang Bin and the brother-in-law of Mr. Zhang Chaoyang, each an executive Director and a senior vice president of our Company
"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares
"OrbiMed Asia"	OrbiMed Asia Partners II L.P., an exempted limited partnership registered under the laws of the Cayman Islands on June 10, 2013, further details of which are set out in "History, Reorganization and Development—Pre-IPO Investment—Summary of Material Terms—Name and Information of the Pre-IPO Investor"
"Ordinary Shares"	ordinary share(s) in the share capital of our Company of HK$0.01 each
"Over-Allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) in whole or in part, for one time or more, at any time during the 30-day period from the last date for lodging applications under the Hong Kong Public Offering, pursuant to which our Company may be required to allot and issue up to an aggregate of 37,500,000 Shares (representing approximately 15% of the number of Offer Shares initially available under the Global Offering) at the Offer Price to, among other things (such as effecting the permitted stabilizing actions as set out in "Structure of the Global Offering—Stabilization"), cover over-allocations in the International Placing, if any, details of which are described in the section headed "Structure of the Global Offering—Over-Allotment Option" in this prospectus

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PCT"	Patent Cooperation Treaty
"PRC Legal Advisor"	Jingtian & Gongcheng, the legal advisor to our Company as to PRC law
"Pre-IPO Investment"	the pre-IPO investment in our Group made by OrbiMed Asia and completed on February 29, 2016 pursuant to the Pre-IPO Investment Transaction Documents, as more particularly set out in "History, Reorganization and Development—Pre-IPO Investment—Introduction"
"Pre-IPO Investment Shareholders Agreement"	the shareholders agreement dated February 29, 2016 entered into among our Company, AK Medical BVI, AK Medical HK, AK Medical Beijing, AK Medical XMKS, Mr. Li, Ximalaya, Ms. Zhang Bin, Mr. Zhang Chaoyang, Suntop, Summer, Sanbao and OrbiMed Asia on the terms as more particularly set out in "History, Reorganization and Development—Pre-IPO Investment—Introduction"
"Pre-IPO Investment Transaction Documents"	the Pre-IPO Investment Framework Agreement, Series A Preferred Share Purchase Agreement, Letter Agreement and Pre-IPO Investment Shareholders Agreement
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme conditionally adopted by our Company on November 17, 2017, the principal terms of which are summarized in Appendix IV—"Statutory and General Information—Other Information—15. Share Option Schemes—B. Pre-IPO Share Option Scheme" to this Prospectus
"Price Determination Date"	the date, expected to be on or about December 13, 2017, on which the Offer Price will be determined and, in any event, not later than December 19, 2017
"QIB"	a qualified institutional buyer as defined in Rule 144A
"Rainbow Holdings"	Rainbow Holdings Limited, a company incorporated with limited liability under the laws of BVI on July 11, 2017 and wholly owned by Trident Trust
"Regulation S"	Regulation S under the U.S. Securities Act

"Reorganization"	the reorganization of our Group's corporate and shareholding structure in preparation for the Listing, details of which are set out in "History, Reorganization and Development—Reorganization"
"Repurchase Mandate"	the general mandate granted to our Directors by our Shareholders in relation to the repurchase of our Shares, further information on which is set forth in Appendix IV—"Statutory and General Information—Information about Our Company—3. Resolutions in writing of our Shareholders passed on November 17, 2017" to this prospectus
"RMB" or "Renminbi"	the lawful currency of China
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE" or "State Administration of Foreign Exchange"	the State Administration of Foreign Exchange of China (中華人民共和國國家外匯管理局), a Chinese governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"Sanbao"	Sanbao Limited (三寶有限公司), a company incorporated with limited liability under the laws of BVI on July 13, 2015 and owned as to 30.22% by Ms. Zhao Xiaohong, an executive Director and the chief financial officer of our Company, 8.24% by Ms. Wang Caimei, 8.24% by Ms. Liu Aiguo, 19.23% by Mr. Qi Yajun and 1.65% by Mr. Zhang Weiping, each a senior management member of our Company, and 32.42% by Ms. Li Huijiang, the sister of Mr. Li
"SAT" or "State Administration of Taxation"	the State Administration of Taxation (中華人民共和國國家税務總局), a Chinese governmental agency responsible for the matters of taxation administration in the nationwide
"SCNPC"	The Standing Committee of the National People's Congress (全國人民代表大會常務委員會), a permanent institution for the National People's Congress
"Series A Preferred Share(s)"	preferred share(s) in the share capital of our Company of HK$0.01 each issued to and held by OrbiMed Asia with the rights ascribed in the articles of association of our Company in force prior to the adoption of the Articles and the Pre-IPO Investment Shareholders Agreement

"Series A Preferred Share Purchase Agreement"	the series A preferred share purchase agreement dated December 18, 2015 (as amended by the Letter Agreement) entered into among our Company, AK Medical BVI, AK Medical HK, AK Medical Beijing, AK Medical XMKS, Mr. Li, Ximalaya, Ms. Zhang Bin, Mr. Zhang Chaoyang, Suntop, Summer, Sanbao and OrbiMed Asia on the terms as more particularly set out in "History, Reorganization and Development—Pre-IPO Investment" and "History, Reorganization and Development—Reorganization—(6) Stage 2 of the Pre-IPO Investment and Transfer of 100% of Shares of Bright AK HK to AK Medical BVI"
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on November 17, 2017 and effective upon the Listing, the principal terms of which are summarized in Appendix IV—"Statutory and General Information—Other Information—15. Share Option Schemes—A. Share Option Scheme" to this Prospectus
"Shareholders"	holders of Shares
"Shares"	Ordinary Shares and Series A Preferred Shares, and upon completion of the Global Offering, Ordinary Shares
"Sole Bookrunner", "Sole Global Coordinator" or "Sole Sponsor"	Goldman Sachs (Asia) L.L.C.
"Stabilizing Manager"	Goldman Sachs (Asia) L.L.C.
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between the Stabilizing Manager or its affiliate and Ximalaya on or about the Price Determination Date as further described in "Structure of the Global Offering—Stock Borrowing Arrangement"
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Summer"	Summer Limited (神瑪有限公司), a company incorporated with limited liability under the laws of BVI on July 13, 2015 and wholly owned by Ms. Zhang Bin, our executive Director and a senior vice president of our Company, the spouse of Mr. Li and the sister of Mr. Zhang Chaoyang, who is also our executive Director and a senior vice president of our Company
"Suntop"	Suntop Limited (陽峰有限公司), a company incorporated with limited liability under the laws of BVI on July 13, 2015 and wholly owned by Mr. Zhang Chaoyang, our executive Director and a senior vice president of our Company, the brother-in-law of Mr. Li and the brother of Ms. Zhang Bin, who is also our executive Director and a senior vice president of our Company
"Track Record Period"	the period of three financial years ended December 31, 2016 and the six months ended June 30, 2017
"Trident Trust"	Trident Trust Company (HK) Limited (恒泰信託（香港）有限公司), a company incorporated with limited liability on July 21, 2011 and registered as a trust company on November 17, 2011 under the laws of Hong Kong, being the trustee of the Family Trust
"Underwriter(s)"	the Hong Kong Underwriter(s) and the International Underwriter(s)
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended
"US$"	United States dollars, the lawful currency of the United States
"Ximalaya"	Ximalaya Limited (喜馬拉亞有限公司), a company incorporated with limited liability under the laws of BVI on July 13, 2015 and owned as to 50% by Mr. Li and as to 50% by Rainbow Holdings

In this prospectus, the terms "associate", "close associate", "connected person", "core connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

* the English translations of Chinese entities are for identification purposes only

This glossary contains definitions of certain terms used in this prospectus in connection with us and our business. Some of these may not correspond to standard industry definitions.

"3D"	three-dimensional
"3D ACT solutions"	3D Accurate Construction Technology solutions, personalized solutions the Company developed and introduced in July 2014 to assist surgeons in simulating and planning for implant surgeries
"3D-imaging"	the process of generating visual 3D representations of the interior of a body for clinical analysis and medical intervention
"3D-modeling"	the process of developing a virtual representation of the 3D surface of an object using specialized computer software
"3D-printed" or "3D-printing"	the production process of generating a physical object from a 3D digital model, typically by laying down many successive thin layers of a material using a 3D-printing machine
"3D-printed products"	products produced using 3D-printing technologies
"CE Marking"	a mandatory conformity marking for certain products sold within the European Economic Area, which is a manufacturer's declaration that the product complies with the essential requirements of the relevant European health, safety and environmental protection legislation
"GDP"	gross domestic product
"GMP"	the Good Manufacturing Practice for Medical Devices issued by CFDA
"high-end market"	the market targeting orthopedic surgeries performed by Class III hospitals in major cities
"ISO"	International Organization for Standardization
"ISO13485"	the international standard in respect of Medical Devices — Quality Management Systems — Requirements for regulatory purposes revised by ISO in 2003, an independent quality management system specially designed for the medical device industry
"ISO9001"	a set of core standards in quality management included in ISO9000 standards, which was initiated by ISO in 1994 and formulated by the Quality Management and Quality Assurance Technical Committee of ISO

"mass market"	the market targeting orthopedic surgeries performed by hospitals of Class II or lower levels or in small cities or rural areas
"off-the-shelf products"	the standard, mass-produced orthopedic products that are of pre-determined shapes and sizes
"primary surgery"	a surgery that replaces the natural joint of a patient with an implant
"PTIP"	Physician-Technician Interaction Platform, a platform where technicians work with surgeons to analyze data obtained from medical imaging technologies and construct 3D images and 3D models to provide surgeons with detailed information through virtual simulation and physical modeling of individual patients
"R&D"	research and development
"revision surgery"	a follow-up surgery for the replacement or repair of an implant or repair of defected bone parts after a primary surgery
"sq. m"	square meter
"surgical guide"	a custom-made template that matches a patient's unique anatomy precisely, which surgeons use during orthopedic surgeries to position orthopedic joint implants
"surgical instrument"	an instrument used by surgeons to perform surgeries, including a surgical guide

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business and prospects;
- future developments, trends and conditions in the healthcare services industry and the orthopedic implant market;
- our business strategies and various measures and initiatives to implement and achieve these strategies;
- general economic, political and business conditions in China and other markets in which we operate;
- changes to the regulatory and enforcement environment of China and general outlook and competitive landscape in the industries and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to develop new products and obtain CFDA registrations for the new products;
- changes to our current expansion strategy, including our ability to expand our production facilities and capabilities;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all.

Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

You should carefully consider the following information about risks, together with the other information contained in this prospectus, including our consolidated financial statements and related notes, before you decide to buy our Shares. If any of the circumstances or events described below actually arises or occurs, our business, financial condition, results of operations and prospects could be materially and adversely affected. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We are required to complete CFDA registration processes for our orthopedic implants, which are costly, lengthy and uncertain, before they can be commercialized. Failure to obtain, maintain or renew the required CFDA registrations for our products in a timely manner could significantly disrupt our business and materially and adversely affect our business, financial condition and results of operations.

Our orthopedic implants are subject to extensive regulation in China. To produce and sell our products, we are required to obtain and renew CFDA registrations for Class II and Class III medical devices. The CFDA registration process is costly, lengthy and uncertain. In particular, we are required to conduct, at our own expense, adequate and well-controlled clinical trials, and provide the CFDA with clinical data that demonstrates the efficacy and safety of our orthopedic implants. The duration of a clinical trial generally varies substantially with the type, complexity, novelty and intended use of the product. In our experience, clinical trials for our orthopedic implants typically span 20 to 30 months, but could take longer. In particular, it took more than three years for us to complete the clinical trial process for our 3D-printed hip replacement implant. The process may be delayed or need to be repeated for various reasons, such as negative or inconclusive results. Our clinical trials may be suspended at any time if we or the regulatory authorities believe the patients participating in our studies are exposed to unacceptable health risks.

Product testing may fail at any stage of the clinical trial. Success in preclinical testing and early clinical trials does not guarantee success in subsequent clinical trials, and interim results of trials may not accurately indicate final results. It is not unusual for companies to suffer significant setbacks in advanced clinical trials, even after receiving promising results in earlier trials. Preclinical and clinical data can be interpreted in different ways, which could delay, limit or prevent further testing or regulatory approval.

We cannot control whether planned clinical trials will begin on time or whether any of our clinical trials will be completed on schedule, or at all. Our product development costs would likely increase if we encounter delays in testing or obtaining approvals or if we need to perform more or a larger scale of clinical trials than planned. If the delays are significant, the commercial prospects for some of our medical device products will be harmed, which will adversely affect the results of operations in our business. Our business may also be adversely affected if the product under development fails to receive approval for commercial sale after we have invested significant time and costs in the clinical trial process.

CFDA registration certificates, if obtained, must be renewed every five years. The renewal process can be lengthy. According to the approval guidance for renewal applications relating to domestically manufactured Class III medical device registration certificates published by the CFDA, it normally takes 128 business days from the submission of an application to the delivery of the approval, which primarily consists of three phases: (1) no more than 90 business days to review the renewal application subject to the sufficiency and satisfaction of the application documents, (2) no more than 20 business days to deliberate and reach a decision, and (3) no more than 10 additional business days to issue the renewed registration certificate. However, during the first phase, the CFDA may find it necessary to engage external experts to review the application or request supplemental materials from the applicant, the time required for which is not counted toward the 90 business day deadline and varies case by case. Therefore, this process usually takes a longer time in practice. According to Frost & Sullivan, generally, the average time required to renew the registration certificate of a Class III medical device which has no material change ranges from 180 days to one year. If the CFDA decides not to grant the approvals for renewal, we will not be able to manufacture and sell the related products, which would materially and adversely affect our business, financial condition and results of operations.

We operate in a competitive industry. If we are unable to continue to develop new products and technologies in a timely manner, or if our new products do not perform as well as expected in the market, the demand for and average price of our products may decrease, which may materially and adversely affect our business, financial condition and results of operations.

Our products are subject to intense competition. In addition, the purchase of medical devices, including our products, by government owned or controlled hospitals are generally subject to a public tender process run by the relevant local governments from time to time. See "Regulation—Tender Processes for Medical Devices" for details. In particular, the requirement for participating in the public tender process often results in the bidding price for a specific product decreasing over time, therefore our products generally are subject to price pressure. As the corresponding manufacturing, labor and raw material costs of our products do not decrease at the same rate as the average selling price, the profit margin for our products generally decreases over time.

As a result, we make significant investments in research and development to modify and improve the safety and efficacy of our products in order to maintain or improve the average selling price and the overall profitability of our product portfolio. Our success depends substantially on our ability to anticipate industry trends and to identify, develop and market new and advanced products that meet our customers' demands in a timely manner. However, we cannot assure you that we will always be able to promptly and effectively respond to emerging market trends by improving our product portfolio in a timely and effective manner, or that the launch of our new products will always be commercially successful. Developing and commercializing new products is time consuming. Typically, it takes at least one to two years to develop an orthopedic product and another three to five years to complete CFDA registration. In addition, we may experience delays or setbacks at any stage of the 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 may be able to launch new products earlier than us, or our end customers may prefer their products, which may result in price reductions or reduced margins or loss of market share for our products, or may lead to our products becoming obsolete or non-competitive. When our products become less marketable or obsolete due to either our inability to develop new products or poor performance of our new products in the market, we may be required to recognize an impairment provision on our inventories, which could materially and adversely affect our business, results of operations and financial condition.

To respond to price pressure, we also need to control our production costs by increasing the efficiency of our manufacturing processes, efficiently managing our raw material use and improving production yields in order to increase or maintain sustainable profit margins of our new products. If we are unable to successfully design, manufacture and market new products in time or at all, or if we fail to effectively control our production costs, our results of operations and financial condition would be materially and adversely affected.

If our 3D ACT solutions or 3D-printed products do not generate expected returns in a timely manner, we may not be able to recoup our related capital expenditure, and R&D and sales and marketing expenses on time or at all, and our results of operations and business prospects could suffer.

We have been developing our 3D ACT solutions and 3D-printed products since 2009 and have incurred significant R&D and sales and distribution expenses for their development. However, there is no assurance that it will generate expected returns, as returns are affected by various factors, including overall market conditions, Chinese governmental policies, customers' preferences or other factors that are beyond our control. Moreover, the market demand may not be as strong as we expect. There may be latent defects or risks that are uncovered at a later stage which could affect the success of our 3D ACT solutions or 3D-printed products. Under such circumstances, we may not be able to recoup all or any of our related capital expenditure or R&D and sales and marketing expenses we have invested and will continue to invest in the commercialization process, and our business prospects could suffer.

If our sales volume does not grow as we expect or we encounter any delays or challenges as a result of a failure to obtain permits, licenses or product registration certificates or other operational risks, our investments in the Changzhou Facilities may materially and adversely affect our results of operations and financial condition.

The current designed annual production capacity of the Changzhou Facilities is 150,000 sets of off-the-shelf orthopedic joint implants, representing approximately 1.5 times of our annualized production capacity for off-the-shelf orthopedic joint implants based on the six months ended June 30, 2017. We expect to reach this capacity by 2021. We plan to gradually move the production of and eventually produce all of our off-the-shelf products including orthopedic implants and surgical instruments at the Changzhou Facilities. See "Our Business—Production—Changzhou Facilities". However, customer demand for our products and the number of sales orders we receive may be affected by various factors, including the overall market condition, Chinese governmental policies, customers' preferences, the effect of import substitution or other factors that are beyond our control. If customer demand for our products and the number of sales orders we receive do not increase as we expect, we may encounter overcapacity.

In addition, we need to obtain production permits and relevant product registration certificates from the CFDA and other authorities in China or their respective provincial counterparts before we can commence production at the Changzhou Facilities. We may not be able to obtain them in a timely manner or at all, which would prevent us from, or lead to a material delay in, commencing our operations.

We also need to recruit local workers to complete the construction of and commence the production in the Changzhou Facilities. We require a large number of workers with various skills and expertise. Given the specialty of our business, we may not be able to recruit sufficient workers in a timely manner, or at all, which may prevent us from, or lead to a material delay in, commencing the operations of the Changzhou Facilities.

Furthermore, one of the reasons that we decided to construct the Changzhou Facilities and to relocate all of our production of off-the-shelf products to the Changzhou Facilities is that the Changzhou Xitaihu Industry Park has a developed healthcare and medical device industry supply chain for off-the-shelf products, which can give us easy access to suppliers such as providers of molds and coating used in the production process of our off-the-shelf products and manufacturers of surgical instruments to be used in conjunction with our off-the-shelf products. If there is change of circumstances in this respect, we may incur extra cost to gain access to similar resources.

We have already invested substantial resources and plan to incur additional capital expenditures with respect to the Changzhou Facilities. A low utilization rate for the Changzhou Facilities as a result of our overcapacity and/or challenges or delays in obtaining relevant permits, licenses or product registration certificates or hiring sufficiently skilled workers and/or the change in the availability of resources provided by the healthcare and medical device supply chain for off-the-shelf in Changzhou Xitaihu Industry Park would materially and adversely affect our results of operations and financial condition.

Failure to expand our distribution network, maintain or renew relationships with our distributors or to ensure the productivity of our distributors would have a material adverse effect on our business, results of operations, financial condition and prospects.

We rely on our distribution network to market our products to hospitals. As of June 30, 2017, we had 650 distributors. We compete for competent distributors with other China-based orthopedic joint implant companies that may have greater financial resources or offer better commercial terms to distributors than we do. Therefore, if we seek to expand our distribution network as our business grows, there is no assurance we will be able to find sufficient competent distributors in the relevant markets, or enter into distribution agreements on commercially acceptable terms, or at all. In addition, we generally enter into distribution agreements with terms of one year. If we fail to maintain good relationships with our existing distributors, or if our competitors offer higher quality products or more favorable terms to distributors than us, we may not be able to renew the distribution agreements with our distributors on commercially acceptable terms, or at all. In addition, the implementation of the "two-invoice system" or similar systems in the medical device field, which is at an early stage, may result in the consolidation of our existing distributors, which may have unexpected negative impact on our distribution network, for example, the reduction of the number of distributors, the increased bargaining powers of each distributor, among others.

In addition, a decline in our distributors' performance would lead to a decline in the productivity of our distribution network and could have a negative effect on our revenue. Therefore, we review the performance of our distributors from time to time, and seek to retain more competent distributors to raise the overall performance of our distribution network. However, due to the intense competition for distributors, we may not be able to do so, and our competitors may require their distributors to enter into exclusive distribution agreements such that their distributors would be restricted from selling our products.

Consequently, any disruption to our distribution network, including our failure to form relationships or renew our existing distribution agreements could negatively affect our ability to effectively sell our products and would materially and adversely affect our business, results of operations, financial condition and prospects.

Moreover, in order to expand our distribution network, we may have to offer commercial terms that are more favorable to distributors. For example, starting from 2015, in order to better compete with our competitors in attracting competent distributors, we granted credit periods to more qualified distributors and longer credit periods to some of our other distributors. As a result, our trade receivables turnover days increased from 38 days in 2014 to 55 days in 2015 and further to 74 days in 2016 and 75 days in the six months ended June 30, 2017. If our trade receivables turnover days continue to grow in the future due to further competition for competent distributors, our financial condition may deteriorate, and we will be subject to higher credit risks as a result.

We have limited control over the operations and actions of our distributors. We do not have contractual relationships with most of our sub-distributors, and do not have written distribution agreements with certain of our distributors. Therefore, our efforts to manage these distributors and sub-distributors may not be effective.

All of our distributors are independent third parties, although we have certain Former Employee Distributors. See "Our Business—Customers, Sales and Distribution—Distribution Network" for more details. Therefore, our ability to manage the activities of our distributors is limited. We enter into distribution agreements with most of our distributors and mainly rely on these distribution agreements to govern our relationships with distributors, including their compliance with laws, rules, regulations and our policies. As such, our distributors may take one or more of the following actions, any of which could have a material adverse effect on our business, prospects and reputation:

- breaching our agreements with them, including by selling products that have expired, or by selling products to hospitals outside their designated territories or to hospitals other than their designated hospitals;
- failing to adequately promote our products;
- failing to provide proper training, surgical instruments and services to our end-users;
- failing to maintain the requisite licenses or otherwise failing to comply with applicable regulatory requirements when selling our products; or
- violating anti-corruption, anti-bribery, competition or other laws and regulations of China or other countries.

Any violation or alleged violation by distributors of our distribution agreements or any applicable laws and regulations could result in the erosion of our goodwill, a decrease in the market value of our brand and an unfavorable public perception about the quality of our products, resulting in a material adverse effect on our business, financial condition, results of operations and prospects.

We generally do not enter into written distribution agreements with distributors whose annual sales are less than RMB0.1 million as these distributors are not active and only order our products on an ad hoc basis. Therefore, our control over their activities is even more limited. In addition, some of our distributors on-sell our products to sub-distributors engaged by them. As we do not engage these sub-distributors directly or maintain contractual relationships with most of these sub-distributors, we mainly rely on our distributors to manage and control their sub-distributors' activities in accordance with the terms of our distribution agreements with our distributors. See "Our Business—Customers, Sales and Distribution—Distribution Network". As a result, we have

even less control over the activities of sub-distributors with whom we have no written distribution agreements. There is no assurance that the sub-distributors will comply with the geographical restrictions we have agreed with our distributors, distribute only to authorized hospitals or comply with other policies under our distribution agreements. Furthermore, we cannot assure you that we will be able to identify or correct all the sub-distributors' practices that are detrimental to our business in a timely manner or at all, which may adversely affect the sales of our products. As we have no contractual arrangement with these sub-distributors, we would have no direct recourse against them if their conduct causes harm to our business or reputation.

Furthermore, to better manage our distribution network, starting from 2016, we have added a provision to all new and renewed distribution agreements requiring our distributors to (1) ensure that the sub-distributors they engage also comply with the terms of our distribution agreements and (2) provide a monthly written report detailing the types and quantities of our products sold to hospitals, inventory levels and local market conditions. As of the Latest Practicable Date, we had renewed the distribution agreements with most of our distributors. However, we cannot assure you that all of our distributors will comply with such requirements or that we can successfully enforce such agreements without negatively affecting our business. As a result, we may not be able to effectively manage our distributors and distribution network as we intend to with our new distribution agreements.

If our bids during the public tender process are not successful, our business may be adversely affected.

Our bids during the public tender process may not be successful and our products may not be chosen for a number of reasons, including where: (1) our prices are not competitive, (2) our orthopedic implants fail to meet the technical or quality requirements imposed by the hospitals or are less clinically effective than competing products, (3) our reputation is adversely affected by unforeseeable events or (4) our service quality or any other aspect of our operation fails to meet the relevant requirements. If we fail to bid successfully during the public tender process, we will not be able to sell our products to hospitals, which will in turn negatively impact our sales volume and hinder our ability to expand our distribution network. These will cause our business to suffer and our results of operations will be materially and adversely affected as a result.

We may not be able to maintain or renew all the permits, licenses and certificates required for our business, and if we fail any inspections, examinations, audits or reviews by the relevant regulatory authorities, our results of operations and reputation could be materially and adversely affected and we may be subject to fines or other enforcement actions.

In addition to CFDA registration certificates, orthopedic product companies and distributors in China are also required to obtain certain permits and licenses from various Chinese government authorities, including production permits (醫療器械生產許可證) and medical device business certificates (醫療器械經營許可證). See "Regulation—Production Permit" and "Regulation—Permit for Medical Device Operation Enterprises" for details. We have obtained all required permits and licenses. However, these permits and licenses are subject to periodic renewals and/or reassessments by the relevant government authorities and the standards of these renewals or reassessments may change from time to time. We have not been subject to non-renewal or conditional renewal in any of our material permits, license or certifications during the Track Record Period and as of the Latest Practicable Date, but there can be no assurance that authorities will approve these renewal applications in the future. 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, which could have a material adverse

effect on our business, financial condition and results of operations. Moreover, if, as a result of any change in the interpretation or implementation of existing laws and regulations or the implementation of new laws and regulations, we are required to obtain additional permits, licenses or certificates, we cannot assure you that we will be successful in obtaining these permits, licenses or certificates in a timely fashion or at all.

In addition, our manufacturing facilities and our products are subject to regular inspections, examinations, audits or reviews by the relevant government authorities as part of the process of maintaining or renewing the various permits, licenses and certificates required for our business. In the event that any of our products or facilities fail any inspections, examinations, audits or reviews, we may be ordered to suspend or cease production and sales of such products and be subject to fines, which will in turn adversely affect our business, profitability and reputation. For example, CFDA's quality control regulations 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, which the CFDA enforces through document reviews and on-site inspections. If we fail a quality system review or inspection or if any corrective action plan is considered to be insufficient, our manufacturing process could be delayed or suspended.

Our failure to develop, maintain and enhance our brand name 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 our success. We believe that our brand name "AK Medical" ("愛康") and trademarks such as "  ", "愛康宜诚" and "AKMEDICAL" are well recognized by Chinese hospitals and surgeons, and have gained trust among patients. Our ability to develop, maintain and enhance the image and recognition of our brand name and trademarks depends largely on our ability to remain as a leader in the orthopedic joint implant market in China. Our brand promotion efforts may be expensive and may fail to effectively promote our brand or generate additional sales.

Our brand name, reputation and product sales could be adversely affected if, for example:

- our products fail to be recognized by hospitals, surgeons and patients;
- our products malfunction or contain defects;
- we provide poor or ineffective customer service;
- we are subject to product liability claims;
- there are counterfeit products purporting to be our products;
- our employees or distributors engage in improper or illegal conduct, whether or not authorized by us; or
- we, or our products, are associated with negative publicity, whether founded or unfounded.

Our products are subject to intense competition with domestic and international competitors. Our failure to compete successfully could materially and adversely affect our business, financial condition, results of operations and prospects.

The orthopedic implant market in China is highly competitive. We face competition from both domestic and international competitors across most of our product lines. In general, we face pricing competition from domestic competitors, and competition on product quality and brand recognition from international competitors. In particular, some of our competitors have:

- greater financial and other resources;
- a greater variety of products;
- brands and products that are better received by surgeons who recommend products to patients;
- greater pricing flexibility;
- more extensive R&D and technical capabilities;
- patent portfolios that may impede our business strategies;
- stronger brand recognition;
- more extensive distribution networks; or
- better support in terms of technical training or surgical instruments provided.

We may be unable to offer products similar to, or more desirable than, those offered by our competitors, and we may not be able to 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.

If our employees, distributors or sub-distributors engage in bribery or corrupt practices or other improper conduct, we may be subject to liability and our reputation and business could be harmed. Additionally, any challenges to or investigations into our practices under these laws could generate negative publicity and could be costly to respond to, and thus could harm our business.

We could be liable for actions taken by our employees, distributors or sub-distributors that violate anti-bribery, anti-corruption and other related laws and regulations in China or other countries. The government authorities may seize the products involved in any illegal or improper conduct engaged in by our employees, distributors or sub-distributors. We may be subject to claims, fines or suspension of our operations. Our brand and reputation, our sales activities or the price of our Shares could be adversely affected if our Company is associated with any negative publicity as a result of illegal or improper actions, or allegations of illegal or improper actions, taken by our employees, distributors or sub-distributors.

It is also possible that the Chinese government or other government authorities in countries where we sell our products could adopt new or different regulations affecting the way in which medical devices are sold to address bribery, corruption or other concerns. Although we are not aware of any such new or different regulations in this regard being adopted in China or our other principal markets, any such new or different regulations could possibly increase the costs incurred by us, our distributors and their sub-distributors in selling our products or impose restrictions on sales and marketing activities, which could in turn increase our costs. As we currently depend substantially on distributors and their sub-distributors for the sale of our products, any misconduct by our distributors or their sub-distributors or changes in the regulatory environment regarding the sale of medical devices could have a material adverse impact on our business, financial condition and results of operations.

If we fail to maintain relationships with certain key suppliers at commercially acceptable terms, or at all, we may not be able to maintain our product quality at reasonable cost, or at all.

The key raw materials of our products include titanium alloy, cobalt-chromium-molybdenum alloy, and ultra-high molecular weight polyethylene. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our costs of materials were RMB26.7 million, RMB43.7 million, RMB53.9 million, RMB22.2 million and RMB36.0 million, respectively, representing 57.0%, 68.2%, 64.6%, 62.6% and 70.9%, respectively, of our total cost of sales in the same periods. According to Frost & Sullivan, the historical prices of the above-mentioned raw materials have generally increased in China in recent years, as a result of the increasing demand for orthopedic implants, and a slow-growing trend will continue for the next few years. As a result, our production volume and production costs depend on our ability to source quality key raw materials at competitive prices. We procure our raw materials mainly from reputable and large suppliers, and generally do not enter into long-term supply agreements.

If we are unable to obtain raw materials in the quantities or at the quality or price that we require, our production volume, product quality and profit margins may be adversely affected. Raw materials used in our production are subject to price volatility caused by external conditions, such as market supply and demand, commodity price fluctuations, fluctuations in transportation costs, changes in governmental policies and natural disasters. Various factors could lead to significant fluctuation in the prices of our key raw materials. We cannot assure you that our raw material cost will not increase significantly in the future, or that we could pass any increased raw material costs along to our customers. As a result, any significant price increase of our raw materials may have an adverse effect on our profitability and results of operations.

Furthermore, we depend on a limited number of key suppliers. Purchases from our top five suppliers were RMB26.2 million, RMB47.8 million, RMB34.0 million, RMB14.3 million and RMB31.4 million, respectively, representing 71.6%, 62.2%, 44.7%, 40.2% and 51.2% of our total purchases in 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, respectively. Although we believe that we have a good relationship with our key suppliers, we cannot assure you that we can maintain these relationships or be able to continue to source relevant raw materials from them at all times. If our current key suppliers decide to terminate their business relationships with us or terminate their own businesses, or if the raw materials supplied by our current suppliers fail to meet our standard, or if our current supplies of raw materials are interrupted for any reason, qualified suppliers may not be readily available or be available at reasonable prices and we may not be able to easily replace suppliers in a timely manner. For example, as a result of our largest supplier of cobalt-chromium-molybdenum in 2015 going out of business, we had to incur time and resources to source additional suppliers to secure sufficient supply of quality raw materials. See "Business—Raw Materials and Suppliers" for details. These factors may materially and adversely affect our business and financial results.

In particular, we rely on one supplier for ceramic heads (the "**Ceramic Head Supplier**"). Ceramic head is one of the several types of femoral head we provided as a part of total hip systems and an important component of our orthopedic joint implants with highly crosslinked polyethylene friction interface. See "Business—Raw Materials and Suppliers" for details. To the best of our knowledge, the Ceramic Head Supplier is the only major supplier of ceramic heads in the world. Therefore, we may be at a disadvantage when negotiating prices and other terms of the supply agreement with this supplier. If the Ceramic Head Supplier becomes unable or unwilling to continue to supply ceramic heads to us directly, we would have to incur time and additional costs to procure ceramic heads from the downstream distributors of the Ceramic Head Supplier. If the ceramic heads we currently purchase from the Ceramic Head Supplier become no longer available in the market, we would be forced to cease the production of the products using the ceramic heads because currently there are no readily available alternative suppliers that can produce ceramic heads of the same specification at comparable quality. In such case, our operations might be interrupted or delayed and our business and financial results might be adversely affected.

We are subject to credit risk of our customers, and our inability to collect on our trade receivables from our customers may have a material adverse effect on our business operations and financial condition.

We sell our products primarily to third party distributors across China, which in turn resell our products either directly to hospitals in their designated territories with our authorization or to sub-distributors for ultimate sales to hospitals. For some large distributors with whom we have a long-term relationship, we grant a credit period ranging from one to six months. These distributors are owed amounts from hospitals and sub-distributors, who are in turn owed amounts from ultimate customers, hospitals. We also directly sell a portion of our products to hospitals through our wholly-owned subsidiary which holds a medical device business certificate. Our sales to hospitals are generally made on credit terms longer than those granted to our distributors. As of December 31, 2014, 2015 and 2016 and June 30, 2017, we had trade receivables (before deducting allowance for doubtful debts) of RMB19.9 million, RMB44.7 million, RMB68.8 million and RMB70.5 million, respectively, of which 29.2%, 20.9%, 23.7% and 20.9%, respectively, were derived from our five largest customers. As a result, we may be exposed to credit risk. Our sales and marketing employees monitor and manage our distributors to make sure they comply with our distribution agreements, including payment terms, and take efforts to collect the amounts due from our hospital customers. However, we cannot assure you that we can properly assess and

respond in a timely manner to changes in their credit profile. Our distributors and hospital customers may experience financial difficulties, which could negatively impact our ability to collect the amount due to us. Such adverse financial conditions may negatively affect the length of time that it will take us to collect associated trade receivables or impact the likelihood of ultimate collection, and the effect on us could be material and have an adverse effect on our business, financial condition and results of operations.

Granting credit periods to more distributors and longer credit periods to distributors may lead to longer trade receivables turnover days, which may adversely affect our liquidity position and financial condition.

From time to time we grant credit periods of one to six months to qualified distributors who have a good credit history. In 2015, as part of our business initiative to attract competent distributors to expand our distribution network and enter into new markets, we began to grant credit periods to more qualified distributors and/or longer credit periods to some of our other distributors in order to compete with our main domestic competitors. We also granted revolving credit to qualified distributors covering provinces in Southern China where we intend to strengthen our market presence. Our qualified distributors to whom we granted credit periods increased from 72 as of December 31, 2014 to 100 as of June 30, 2017. This increase and our grants of longer credit periods to some of our other distributors led to our trade receivables turnover days increasing from 38 days in 2014 to 55 days in 2015 and further to 74 days in 2016 and 75 days in the six months ended June 30, 2017. See "Financial Information—Analysis of Selected Consolidated Balance Sheet Items—Trade Receivables" for details. Our continuous efforts to expand our distribution network and attract competent distributors may result in longer trade receivables turnover days in the future, which may in turn adversely affect our liquidity position and financial condition.

Failure to manage our inventory would materially and adversely affect our financial condition, results of operations and cash flows.

We, similar to other orthopedic implant companies, have a relatively high level of inventory, primarily due to the long production cycle of our products and the need to maintain a comprehensive portfolio of our orthopedic implants in stock to meet our distributors' demand and to ensure timely product delivery. In 2014, 2015, 2016 and the six months ended June 30, 2017, our inventory turnover days were 257 days, 265 days, 276 days and 274 days, respectively. As our inventories are subject to impairment if their net realizable value falls before we sell them, a high inventory level would subject us to significant risk of impairment if there is a significant decrease in the net realizable value of our raw materials, work-in-progress, or finished goods within a short period of time. Any unexpected change in circumstances, such as a shift in market demand, decline in selling price, or default by or loss of a customer, could materially and adversely affect the net realizable value of our inventories. In addition, although our distribution agreements do not allow our distributors to exchange their unsold products, in practice, we generally entertain exchange requests on a voluntary basis to maintain a good relationship with our distributors, so long as the products to be exchanged are in marketable condition and can be resold. If we entertain the requests of our distributors to exchange similar products within a short period of time, we may have high inventory level of certain types or sizes of particular products, which could materially and adversely affect the effectiveness of our inventory management and thus our results of operations.

Furthermore, as we will not be able to recoup our cash paid for raw materials during the production process until the finished products are sold to customers and the purchase price is settled, our business is subject to significant working capital requirements given the high inventory level and inventory turnover days. To manage our inventory level, we implemented certain measures. See "Our Business—Inventory Management". However, we cannot assure you that these measures will be effective and our inventory level will decrease in the future. If our inventory level increases further in the future, our financial condition and cash flow could be materially and adversely affected.

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

We conduct our business under the "AK Medical" ("愛康") brand. We regard our brand name as critical to our success. Unauthorized use of our brand name by third parties may adversely affect the value of our brand name, 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 name. As of the Latest Practicable Date, we had 20 registered trademarks in China and Hong Kong and one pending trademark application in Hong Kong. We may be unable to prevent unauthorized use of our brand name by third parties. In certain circumstances, litigation may be necessary to protect our brand name. However, as the validity, enforceability and scope of protection of trademarks in China are uncertain and still evolving, we may not prevail in such litigations. Furthermore, litigation could also result in substantial costs and diversion of our resources, which could disrupt our business as well as materially and adversely affect our results of operations.

If we are unable to effectively protect our proprietary technologies, our competitive position could be harmed.

Our success relies largely on our proprietary technologies. Therefore, effective protection of our intellectual property, including patents and proprietary know-how, is critical to maintaining our competitive position. As of the Latest Practicable Date, we had 36 invention patents, 140 utility patents, two patents under the PCT and 26 CFDA registration certificates for Class III medical devices. We also had 134 pending invention patents, 77 pending utility patents, six pending patent applications filed under the PCT and eight on-going applications for registration approval by CFDA or its local counterpart.

We also rely on trade secrets, proprietary know-how and other non-patentable technology, which we seek to protect through confidentiality agreements and non-competition agreements with employees, our research partners and any third parties who may access our proprietary information. We also rigorously control access to our proprietary technology and information. For the details of our R&D cooperation with academic and clinical institutions, see "Our Business—Research and Development—R&D Approach and Process". We cannot assure you that these confidentiality agreements will not be breached, or that our employees or research partners have not disclosed, or will not disclose, any of our trade secrets, proprietary know-how or other non-patentable technology to our competitors or other third parties. We may not have adequate remedies for any breach, and cannot assure you that our trade secrets, proprietary know-how and other non-patentable technology will not be otherwise become known to, or be independently developed by, our competitors.

Intellectual property protection may not be sufficient in China or other countries in which we operate. Confidentiality agreements may be breached by counterparties, and there may not be adequate remedies available to us for any breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China or elsewhere. In addition, policing any unauthorized use of our intellectual property is difficult, time-consuming and costly and the steps we have taken may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We cannot assure you that we will prevail in such litigation. Any failure to protect or enforce our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

If third parties claim that we infringe their intellectual property rights, we may incur liabilities and financial penalties and may have to redesign or discontinue distributing any affected products.

Companies in the orthopedic implant market routinely seek intellectual property protection for their products, and many of our international competitors have large patent portfolios. Companies in our industry also use intellectual property litigation to gain a competitive advantage. We face the risk of claims that we have infringed on third parties' intellectual property rights.

Determining the validity and scope of intellectual property rights for technologies used in orthopedic implants involves complex scientific and legal issues, so the resolution of an infringement claim can be very uncertain. In addition, our efforts to identify and avoid infringing third parties' intellectual property rights may not always be effective. We have employees who have previously worked for one or more of our competitors. We cannot assure that these employees have not used, or will not use in the future, their previous employer's proprietary know-how or trade secrets in their work for us. Any claim of intellectual property infringement against us, even without merit, could:

- be expensive and time-consuming to defend;
- result in us being required to pay significant damages to third parties;
- cause us to cease making or selling products that incorporate the challenged intellectual property;
- require us to redesign, reengineer or rebrand our products, if feasible;
- require us to enter into licensing agreements and make loyalty payments in order to produce our products, the terms of which may not be commercially acceptable to us;
- divert the attention of our management; or
- result in hospitals terminating, deferring or limiting their purchase of our relevant products until resolution of the litigation.

We are exposed to potential product liability claims and our insurance coverage only extends to some of our products and may be inadequate to protect us from all the liabilities we may incur.

We are exposed to product liability for our products. In China, medical devices are classified by the CFDA as Class I, Class II or Class III based on the risk to the human body. AII of our orthopedic implants are classified as Class III. This classification represents the highest risk to the human body and requires the highest level of supervision to ensure safety and effectiveness.

We may be subject to product liability claims if our products have latent quality issues. As some of our key products were developed relatively recently, latent defects or risks may not have been identified at the current stage. We began our operations in 2003, launched our first product in 2004, and introduced our 3D-printed products only recently in 2015 and 2016. There is no assurance that our products have no latent quality issues or disadvantages that are not discernible or foreseeable as of the Latest Practicable Date. Our products might prove to be less effective than they currently appear to be or even prove to be defective to a certain extent at a later stage.

In addition, even if our products do not have latent defects, claims may arise from different stages of treatment which are beyond our control. A surgeon using our products during a surgery may adopt inappropriate treatments during or after the surgery, and patients may not follow the surgeons' advice for rehabilitation. In these cases, the patients may still initiate legal proceedings against us, and the hospitals and surgeons may claim, with or without merit, that our products have latent defects. These proceedings could be time-consuming and expensive to defend and may have a material adverse impact on our business, financial condition and results of operations.

We maintained product liability insurance for our products during the Track Record Period. As of the Latest Practicable Date, our product liability insurance policies in connection with our orthopedic implants covered up to RMB80,000 per incident and RMB2.0 million per policy year. However, we currently do not have any product liability insurance for our products sold overseas. Furthermore, if, for any reason, our current insurance policy ceases to cover any of our orthopedic implants, we may not be able to obtain a comparable policy to replace it, or any policy at all. In addition, the annual aggregate of the insurance coverage may be insufficient to protect us from all the related claims against us. If a product liability claim or series of claims brought against us is for uninsured liabilities or in excess of our insurance coverage and we are ultimately held liable for such claim or series of claims, our business, results of operations or financial condition will be materially and adversely affected.

The discontinuation of any of the preferential tax treatments or the financial incentives currently available to us could reduce our profitability.

In 2008, AK Medical Beijing, one of the subsidiaries of our Company, obtained a "High and New Technology Enterprise Certificate" (高新技術企業證書) issued by Beijing Municipal Science and Technology Commission (北京市科學技術委員會), Beijing Municipal Finance Bureau (北京市財政局), Beijing Municipal Office, State Administration of Taxation (北京市國家税務局) and Beijing Local Taxation Bureau (北京市地方税務局). As a result of obtaining the "High and New Technology Enterprise Certificate", AK Medical Beijing is subject to Chinese EIT at a tax rate of 15%, instead of the 25% that is typically applicable, from 2008 to 2017. In August 2017, AK Medical Beijing extended its qualification as a High and New Technology Enterprise to 2020.

The qualification as a High and New Technology Enterprise is subject to review by the relevant Chinese authorities every three years. We cannot assure you that AK Medical Beijing will be qualified and be able to maintain and renew such qualification in the future. Failure to maintain or renew such qualification may prevent us from benefiting from the relevant enterprise preferential income tax policies, in which event we would be subject to the normal enterprise income tax rate of 25%, which may adversely affect our profit.

Our future success depends on our ability to retain members of our management team and other key personnel and to attract, retain and motivate qualified personnel.

Our future success depends on the continued service of the key members of our senior management. In particular, one of our founders and the chairman of the Board, Mr. Li, has over 20 years of clinical and orthopedic industry related experience. His 11 years of experience in the surgical department of a hospital have helped him develop a high-level perspective and awareness of the industry's development. Our executive Director and senior vice president, Ms. Zhang Bin, has over 20 years of experience in the medical industry. Before joining our Group, Ms. Zhang worked as a physician and CT diagnosis radiologist. Our executive Director and senior vice president, Mr. Zhang Chaoyang, is one of our founders and has over 10 years of experience in the orthopedic medical device industry. Our director of research center, Dr. Wang Caimei, has over 10 years of R&D experience in orthopedic implants and oversees the management of our research center. Our executive Director and chief financial officer, Ms. Zhao Xiaohong, has over 10 years of experience in financial management and analysis, and worked at Ernst & Young for five years before joining us. She is a qualified Certified Public Accountant and is a member of the Association of International Accountants. The expertise, industry experience and contributions of our executive Directors and other members of our senior management are crucial to our success. If we lose any of our key management members and are unable to recruit and retain replacement personnel with equivalent qualifications or talents in a timely manner, the growth of our business could be adversely affected.

Our success also depends on our ability to attract and retain qualified and skilled management, technical, R&D, sales and marketing, healthcare services and other personnel. We cannot assure you that we will be able to attract, hire and retain sufficient personnel for our business. Our Company also cannot guarantee that any shortages in qualified and skilled personnel will not increase our staff costs as the competition for these individuals could cause us to offer higher compensation and other benefits in order to attract and retain them and consequently materially and adversely affect our financial condition and results of operations.

We face risks associated with the real properties that we lease for our production, which may force us to relocate from such facilities.

As of June 30, 2017, we leased 11 premises from independent third parties with a total gross floor area of 8,983 sq. m in China. Among the properties we leased, the lessor of a property with a gross floor area of 1,621 sq. m (the "**Habatun Property**") has not obtained the relevant property ownership certificate. The relevant property is located on a parcel of land collectively-owned by the Habatun Village, Changping District, Beijing, China (the "**Collectively-Owned Land**") which is designated for agricultural use and has not been approved by the relevant government authorities for commercial construction use (the "**Lease Defect**"). The Collectively-Owned Land was leased by the villagers committee of Habatun Village (the "**Villagers Committee**") to Beijing Yanxu Industry and Trade Co., Ltd. (北京燕旭工貿有限公司) (the "**Habatun Lessor**"), which subsequently constructed the Habatun Property and sub-leased it to us.

With regard to the Habatun Property, our PRC Legal Advisor has advised us that, due to the Lease Defect, our lease agreement with the Habatun Lessor to lease the Habatun Property may be terminated by a competent government authority and we may be required to vacate the Habatun Property. See "Our Business—Properties—Leased Properties".

If we are required to relocate from the Habatun Property, it could disrupt our operations and adversely affect our business, financial condition and results of operations. In such an event, we plan to (1) outsource the production of surgical instruments to certain manufacturers in Beijing or (2) if we consider it more desirable, relocate the production to a leased production site in Changzhou, China (the "**Backup Facilities**"). If we end up relocating the production to the Backup Facilities, we would need to recruit local production workers to work at the Backup Facilities, which is expected to take two months. During this period, to continue our production, we would offer each worker currently working in the Habatun Property a subsidy of RMB1,000 per month to relocate to the Backup Facilities. These workers would be transported to our other production facilities in Beijing after we recruit enough workers for production at our Backup Facilities. We estimate that the total cost for relocation is RMB0.1 million, including (1) the transportation fees for production workers, (2) the cost to relocate production equipment, fixtures, raw materials and work-in-progress and (3) the subsidy to be paid to the production workers from the Habatun Property to work at the Backup Facilities.

We are subject to risks relating to disruption in the operations of our production facilities or the construction process of the Changzhou Facilities. We will not be insured against all potential losses and could be seriously harmed by natural disasters, catastrophes or sabotage.

Our business activities involve substantial investments in production facilities. We have relied to date on our production facilities located at Changping, Beijing, China for the production of our products, and we are planning to construct the Changzhou Facilities to expand our production capacity. These facilities could be materially damaged by natural disasters such as floods, tornados, typhoons, hurricanes and earthquakes or by sabotage. We could incur uninsured losses and liabilities arising from such events, including damage to our reputation, and/or suffer material losses in operational capacity, which could have a material adverse impact on our business, financial condition and results of operations.

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

We plan to actively seek suitable opportunities for strategic acquisition or cooperation in the orthopedic product market to grow our business, expand our product and service offerings and strengthen our market position. Our ability to grow through acquisitions depends upon our ability to identify and complete suitable acquisitions as well as our ability to obtain the 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:

- unidentified issues not discovered in the due diligence process, such as hidden liabilities and legal contingencies;

- 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 costs resulting from acquisitions including incurrence of legal liabilities, potential write-offs related to the impairment of goodwill and amortization expenses related to intangible assets;
- 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 managing the acquired business.

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

Failure of our information technology systems could disrupt our operations.

Our information technology systems play a significant part in our operations. We rely on our information technology systems to effectively manage accounting and financial functions, order entry, tracking fulfilment, and our research and development data. Our information technology systems are vulnerable to (1) damage or interruptions from earthquakes, fire, flood and other natural disasters, (2) attacks from computer viruses or hackers, power loss, and (3) computer system, Internet, telecommunications or data network failure. 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.

Any negative publicity against us, regardless of its veracity, could materially and adversely affect our business.

The value of our brand name largely depends on the market's subjective perception and could be damaged by isolated incidents. Any negative incident or negative publicity concerning us, our products or our management, regardless of its veracity, could harm our brand image and diminish the trust from our customers and the market, which could in turn result in decreased sales of our products and materially and adversely affect our business.

RISKS RELATING TO THE INDUSTRY

The orthopedic implant market in China is highly regulated, the compliance with which may be costly. 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.

The orthopedic implant market in China is highly regulated. We are governed by various local, regional and national regulatory regimes in all aspects of our operations, ranging from manufacturing, clinical trials, productions registration, distribution to pricing, and are subject to various licensing, certification and registration requirements. We are also subject to environmental protection, safety and health laws and regulations. See "Regulation" for details. 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 may also result in being ordered to suspend or cease production, being subject to penalties of up to three times the value of the products manufactured and being subject to confiscation of income derived from such manufacturing activity. Given the number and complexity of these regulations, compliance may be difficult and may cost us significant financial and other resources in setting up efficient compliance and monitoring systems. In addition, these regulations are constantly evolving. The legal framework, licensing and certification and registration requirements and enforcement trends in China's orthopedic implant market may change, and there is no assurance that we will be successful and timely in responding to such changes. Any such changes may result in increased compliance costs, which would adversely affect our business, financial condition and results of operations.

If the Chinese 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.

The market demand for, and our ability to sell, medical devices, including our orthopedic implants, largely depend on the availability of adequate reimbursements from the national health insurance system and private medical insurance or third party payers in China. 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 operations performed to implant these devices. China has a complex medical insurance system that is currently undergoing reform. The governmental insurance coverage and reimbursement level for treatments using new medical devices is subject to significant uncertainties and varies among different geographic regions and products. In addition, the Chinese government may change, reduce or eliminate the government insurance coverage and reimbursement level currently available for treatments using our products.

Furthermore, there have been and may continue to be proposals from legislators and regulators and third party payers to lower medical 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 available. 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, 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 government authorities in China decide to reduce the coverage or reimbursement levels for our products, patients may opt for or be forced to resort to other products or alternative treatment methods, and this would materially and adversely affect our revenue and growth prospects.

Aspects of the impending healthcare reform in China may adversely affect our business. If the Chinese government decides to impose stronger price controls over our products, our results of operations would be materially and adversely affected.

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 implantable medical devices. In recent years, the Chinese government announced a series of healthcare reform plans, among others, 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 and other relevant government authorities issued notices relating to the administration of the public tender processes used by hospitals for selecting their suppliers for medical devices and their procurement price.

The NDRC published on its website and sought public consultation on 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 in July, 2006. The Pricing Opinions proposed to impose a maximum price premium of 25.0% to 50.0% between the price charged by manufacturers to distributors and the ultimate retail price charged by hospitals to patients for the implantable medical devices on the NDRC's monitoring list. The Pricing Opinions also proposed to require manufacturers or importers of such implantable medical devices to report to the relevant pricing authority in China the prices offered to distributors and clarify the reason for subsequent price increases upon the request of the pricing authority. The Pricing Opinions are still pending and have not been promulgated to date. The ultimate retail prices of our products to patients compared to the prices we charge our distributors currently may be higher than the maximum price premium proposed under the Pricing Opinions. Once the Pricing Opinions is promulgated, 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. This may result in an adverse effect on our gross margin, our business, profitability, and results of operations.

The Chinese government continued to express a focus on the pricing regulation 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 in March 2009, the Chinese government proposed 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) jointly issued in November 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 the margins in distribution channels and publishing market price data.

Furthermore, in furtherance of the healthcare reform, the Chinese government announced a pilot program to implement a "two-invoice" system which generally limits the distribution to a single level of distributors for the sale of pharmaceutical products from manufacturers to public hospitals. See "Regulation—The Two-Invoice System". During the Track Record Period and up to the Latest Practicable Date, the implementation of the "two-invoice system" had not resulted in any material effect on our financial condition and results of operations because the demand for our products from ultimate users were not affected. We cannot assure you that such system will not also extend to the medical device field. We expect that if more provinces begin implementing similar systems for medical devices, our current multi-layer distribution network would be reorganized: our existing distributors may consolidate to a certain extent, and certain existing distributors may become service providers to provide services ancillary to the use of our products in surgeries. These changes may have a positive effect on our gross margin, as there would be less levels of

distributors, and we may incur additional expenses in engaging service providers to provide customer services that are now provided by sub-distributors. These changes may also have a negative impact, as there would be a smaller pool of distributors, thereby increasing the bargaining power of distributors. As the implementation of the "two-invoice system" is at an early stage, the interpretation and enforcement of similar systems in the medical device field have been evolving and are subject to uncertainty. Therefore, we are unable to predict how the business models will evolve in different provinces of China, and whether and how that will affect our results of operations in the future.

The Chinese government may announce further steps towards the regulation of implantable medical devices or implement the proposals described above. In such circumstances, we may incur additional expenses or costs to comply with the new requirements. Moreover, if we fail to comply with the proposed new requirements when they become effective, we may be subject to confiscation of illegal gains and a fine. Under severe cases, operations may be suspended for rectification and the AIC may revoke the business licenses of those who seek excessive profits through violating pricing laws and regulations. All of these events could materially and adversely affect our business, financial condition, results of operations and prospects.

There may not be a significant import substitution effect in the orthopedic joint implant market in China as we expect, or at all.

According to Frost & Sullivan, in 2016, 53.3% of orthopedic joint implant surgeries used imported products. The Chinese government has introduced policies to encourage the use of products produced in China over imported products. See "Industry Overview—Import Substitution with Domestic Products". As a result, we expect that domestically produced products will continue to increase their market shares relative to imported products in China. However, the significance of an import substitution effect in the orthopedic joint implant market in China is subject to various factors that are beyond our control. For example, in general, the portfolios of domestically produced products may not be as comprehensive as imported products, which may adversely affect the willingness of hospitals and surgeons to replace imported products with products produced in China like ours. In addition, imported products have a competitive edge in the high-end market due to their high product quality and embedded advanced technology. Products produced in China may not be comparable in terms of quality and our technology may not be able to produce the same effect as an imported product in every aspect. Therefore we may not be able to replace imported products in all cases or at all. Furthermore, we cannot assure you that the policy and the insurance reimbursement plan that are favorable to medical devices produced in China will remain unchanged in future. Without those policies and plans, patients would not be incentivized to choose our products over imported ones.

If the supply of qualified surgeons that can perform surgical operations in China does not increase at the rate we expect, or at all, the demand for our products may not grow as expected and our business and prospects may be materially and adversely affected.

Historically, China has a limited number of qualified surgeons compared to developed countries. Therefore, the demand for orthopedic joint implants in China depends on the number of qualified and seasoned surgeons in China. Although there are socio-economic factors that drive the growth of the orthopedic joint implant market in China as set forth in "Industry Overview—The Orthopedic Joint Implant Market in China", if the supply of qualified and seasoned surgeons in China does not grow as expected, there would not be sufficient capacity in China to fulfil the demand for orthopedic surgeries, which in turn would materially and adversely affect our business and prospects.

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 influence surgeons, hospital personnel or other decision-makers in ways that violate anti-corruption laws of China. As competition persists and intensifies in our industry, we may lose potential customers or sales if our competitors engage in such practices or other illegal activities.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

China's political, economic and social conditions could affect our business, results of operations, financial condition and prospects, and adverse developments in China's economy or an economic slowdown in China may reduce the demand for our products and services and have a material adverse effect on our business, results of operations, financial condition and prospects.

We conduct most of our business in China, and substantially all of our assets and operations are located, and substantially all of our revenue is derived from our operations, in China. Accordingly, our business, financial position, results of operations and prospects are subject to the political, economic and legal developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

Although China's economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in China are still owned by the Chinese government. The Chinese government also has significant oversight over the economic growth of China by allocating resources, regulating payments of foreign currency-denominated obligations, setting monetary policies and granting preferential treatments to particular industries or companies. Although the Chinese government has implemented economic reform measures with a view to introducing market forces and establishing sound corporate governance systems and modern management systems in business enterprises in recent years, such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, we may not necessarily benefit from such measures.

The Chinese government has the power to implement macroeconomic control measures affecting its economy. Macroeconomic measures adopted by the Chinese government to stimulate economic growth may not be effective in sustaining the current growth of the Chinese economy. In addition, if any macroeconomic measures reduce the disposable income of the overall population, such measures may have a material adverse effect on our business, results of operations, financial condition and prospects.

Although China has been one of the world's fastest growing economies in recent years as measured by GDP growth, China may not be able to sustain such a high growth rate. For example, the GDP growth rate of China decreased from 9.5% in 2011 to 6.9% in 2015 and 6.7% in 2016. China's GDP growth rate may continue to decline. The global economy may continue to deteriorate in the future and continue to have an adverse impact on China's economy. Any significant slowdown in the Chinese economy could have a material adverse effect on our business and operations, in particular:

- During a period of economic slowdown, there is a greater likelihood that more patients may not be able to afford the self-funded portion of an orthopedic implant surgery and may choose not to have the surgery if they have a choice, which would in turn materially reduce our profit;

- We may not be able to raise additional capital on favorable terms, or at all; and

- Trade and capital flows may further contract as a result of protectionist measures introduced in certain markets, which could cause a further slowdown in economies and materially and adversely affect our business and prospects.

In addition, the Chinese stock market has been volatile in the past few years. The significant government involvement in the stock market, including suspending the IPO process and introducing and suspending the "circuit breaker" mechanism within a week, has brought further uncertainties to the market. This has had and may continue to have an adverse impact on investors' confidence in the capital markets in China. Moreover, concerns over liquidity issues, geopolitical issues, the availability and cost of credit and the unemployment rate have resulted in adverse market conditions in China, which may materially and adversely affect our business, results of operations, financial condition and prospects.

Furthermore, factors such as consumer, corporate and government spending, business investment levels, capital market volatility and inflation all affect the business and economic environment, the growth of the Chinese orthopedic implant market and ultimately, the profitability of our business. Our labor and other costs may also increase due to pressure from inflation.

Government control of currency conversion and future fluctuations in Renminbi exchange rates could have a material adverse effect on our business, results of operations, financial condition and prospects, and may reduce the value of, and dividends payable on, our Shares in foreign currency terms.

Our revenue and expenses are substantially denominated in Renminbi, which is currently not a freely convertible currency. A portion of the revenue must be converted into other currencies in order to meet our foreign currency obligations. For example, we will need to obtain foreign currency to make payments of declared dividends, if any, on our Shares.

Under China's existing foreign exchange regulations, following the completion of the Global Offering, we will be able to make current account foreign exchange transactions, including paying dividends in foreign currencies without prior approval from the SAFE. However, in the future, the Chinese government may take measures, at its discretion, to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. If such measures are implemented, we may not be able to pay dividends in foreign currencies to holders of our Shares. Foreign exchange transactions under our capital account are subject to significant foreign exchange controls and require the SAFE's approval. These limitations could affect our ability to obtain foreign exchange through offshore financing.

The value of the Renminbi against the Hong Kong dollar and the U.S. dollar and other currencies fluctuates, and is subject to changes resulting from government policies (including those of the Chinese government) and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. From 1994 to July 2005, the official exchange rate for the conversion of Renminbi to the U.S. dollar was generally stable. In July 2005, the Chinese government changed its policy of pegging the value of Renminbi to the U.S. dollar. Under the current policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC, against which it can rise or fall within stipulated ranges against different currencies each day. This change in policy has resulted in an appreciation of the value of the Renminbi against the U.S. dollar of approximately 24.6% from July 21, 2005 to June 30, 2015. From July 2008 to June 2010, the Renminbi traded within a narrow range against the

U.S. dollar. In April 2012, the PBOC expanded the floating range of Renminbi against the U.S. dollar in the inter-bank spot foreign exchange market from 0.5% to 1.0% and further expanded it to 2.0% in March 2014. In August 2015, the PBOC announced that the mid-point exchange rate for the floating range of the Renminbi against the U.S. dollar will be determined based on market maker submissions that take into account the Renminbi-U.S. dollar exchange rate at the previous day's closing of the inter-bank spot foreign exchange market, the supply and demand dynamics and the movements of other major currencies. The Renminbi depreciated against the U.S. dollar by 6.7% by June 2017 following this August 2015 announcement by the PBOC. With an increased floating range of the Renminbi's value against foreign currencies and a more market-oriented mechanism for determining the mid-point exchange rates, the Renminbi may further appreciate or depreciate significantly in value against the Hong Kong dollar and the U.S. dollar or other foreign currencies in the long-term, depending on the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into a full float, which may also result in a significant appreciation or depreciation of the Renminbi against the U.S. dollar or other foreign currencies. We cannot assure you that the Renminbi will not experience significant appreciation or depreciation against the U.S. dollar or other foreign currencies in the future.

Our proceeds from the Global Offering will be denominated in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in a decrease in the value of our foreign currency-denominated assets and our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on our Shares in foreign currencies. There are limited instruments available for us to reduce our foreign currency risk exposure at reasonable cost in China, and we have not utilized, and may not in the future utilize, any such instrument. Furthermore, we are also currently required to obtain SAFE's approval before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, results of operations, financial condition and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

Uncertainties with respect to the Chinese legal system could have a material adverse effect on our business and operations.

Our business and operations are primarily conducted in China and are governed by applicable Chinese laws, rules and regulations. China's legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference, but have limited weight as precedents. Since the late 1970s, the Chinese government has significantly enhanced China's legislation and regulations to provide protection to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activity in China. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent and predictable as in other jurisdictions. In addition, China's legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until some time after the violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and may result in substantial costs and the diversion of resources and management attention, which in turn could have a material adverse effect on our financial condition and results of operations.

You may experience difficulties in effecting service of legal process and enforcing judgments or bringing original actions in China or Hong Kong based on foreign laws against us and our Directors and management.

Substantially all of our assets and a substantial portion of the assets of our Directors are located in China. It may not be possible for investors to effect service of process upon us or those persons in China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"), pursuant to which a party with an enforceable final court judgment rendered by any designated people's court of China or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant people's court of China or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a Chinese court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against certain of our assets or Directors in China in order to seek recognition and enforcement of foreign judgments in China.

We may be deemed to be a Chinese tax resident under the Enterprise Income Tax Law and our global income may be subject to Chinese corporate withholding tax under the Enterprise Income Tax Law.

We are a holding company incorporated under the laws of the Cayman Islands and indirectly hold interests in our Chinese operating subsidiaries. Pursuant to the Enterprise Income Tax Law of China (《中華人民共和國企業所得税法》) and the Regulation on the Implementation of the Enterprise Income Tax Law of China (《中華人民共和國企業所得税法實施條例》), or collectively the EIT Law, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a Chinese resident enterprise are subject to a 10% withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding tax arrangement.

The EIT Law provides that if an enterprise incorporated outside China has its "de facto management bodies" within China, such enterprise would generally be deemed a "Chinese resident enterprise" for tax purposes and be subject to an EIT rate of 25.0% on its global income. "De facto management body" is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, the SAT, promulgated a circular to clarify the certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by Chinese enterprises. These criteria include: (1) the enterprise's senior management personnel and department who are responsible for managing the day-to-day production and operation perform their obligations primarily in China; (2) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in China; (3) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in China; and (4) 50% or more of voting board members or senior

executives of the enterprise habitually reside in China. According to these regulations, we may be regarded as a Chinese resident enterprise by Chinese tax authorities and pay Chinese EIT at a rate of 25.0% for all of our global income. In addition, the "de facto management bodies" determination is based on the principle of substance over form. The SAT further issued administrative rules in July 2011 and January 2014 regarding administrative procedures for recognizing Chinese resident enterprise status of a Chinese-invested company registered abroad.

According to the foregoing SAT circulars, a Chinese-invested company registered abroad could either apply for the Chinese resident enterprise status with the competent Chinese tax authorities in the place where its major Chinese investor is located and the application will be subject to approval by competent Chinese tax authorities, or be recognized as a Chinese resident enterprise by competent Chinese tax authorities. In this regard, there are uncertainties regarding whether a Chinese-invested company registered abroad would be treated as a Chinese resident enterprise before obtaining the relevant approval from competent Chinese tax authorities, and there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises which are not controlled by Chinese enterprises (including companies like ourselves).

Therefore, it remains unclear how the Chinese tax authorities will treat a case such as ours. We intend to take the position that we, as legal entities organized outside the PRC, are not deemed a Chinese resident enterprise. However, since the Chinese tax authorities may reach a different conclusion, we cannot assure you that we will not be considered a Chinese resident enterprise for Chinese EIT purposes and be subject to the uniform 25.0% EIT rate on our global income. In addition, although the EIT Law provides that dividend payments between qualified Chinese resident enterprises are exempt from enterprise income tax, due to the relatively short history of the EIT Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our China-incorporated subsidiaries to us will meet such qualification requirements even if we are considered as a Chinese resident enterprise for tax purposes.

Failure by the Shareholders or beneficial owners who are Chinese residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by Chinese residents may prevent us from distributing profits and could expose us and our Chinese resident Shareholders to liability under the Chinese laws.

The Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**SAFE Circular No. 37**"), which was promulgated by SAFE and became effective on July 14, 2014, requires a domestic institution or individual resident ("**Domestic Resident**") to file a "Registration Form of Overseas Investments Contributed by Domestic Individual Residents" and register with the local SAFE branch before he or she contributes assets or capital to an offshore special purpose vehicle ("**Offshore SPV**") that is directly established or indirectly controlled by the Domestic Resident for the purpose of offshore investment and financing, utilizing assets or interests (onshore or offshore) legally held by the Domestic Resident. Following the initial registration, the Domestic Resident is also required to register with the local SAFE branch any major change in respect of the Offshore SPV, including, among other things, any major change of the Offshore SPV's Domestic Resident shareholder, name of the Offshore SPV, term of operation, or any increase or reduction of the Offshore SPV's registered capital, share transfer or swap, and merger or division. Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties, including the imposition of restrictions on the ability of the Offshore SPV's Chinese subsidiary to distribute dividends to its overseas parent.

As SAFE Circular No. 37 was recently promulgated, it remains unclear how this regulation and any future related legislation will be interpreted, amended and implemented by the relevant Chinese government authorities. As of the Latest Practicable Date, to the best of our knowledge, our Domestic Resident Shareholders with offshore investments in us (including Mr. Li, Mr. Zhang Chaoyang, Ms. Zhang Bin, Ms. Zhao Xiaohong, Ms. Li Huijiang, Ms. Wang Caimei, Ms. Liu Aiguo, Mr. Qi Yajun and Mr. Zhang Weiping) had registered their offshore investments with the SAFE Beijing Branch (國家外匯管理局北京外匯管理局) in accordance with the SAFE Circular No. 37. Mr. Li also completed the registration as required under the SAFE Circular No. 37 in relation to a share transfer of his offshore SPV. However, we may not at all times be fully informed of the identities of all our Shareholders who are Domestic Residents and we do not have control over our Shareholders. As such, we cannot assure you that all of our Domestic Resident beneficial owners will comply with SAFE's regulations. Any failure by our Domestic Resident Shareholders to register with SAFE or update SAFE's records, or the failure of future Shareholders who are Domestic Residents to comply with the registration requirements may result in penalties and the prohibition of payments to offshore parents from capital reductions, share transfers or liquidations of our Chinese subsidiaries and could materially adversely affect our ownership structure, acquisition strategy, business operations and ability to make dividend payments to the Shareholders.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under Chinese tax laws.

We intend to take the position that we, as legal entities organized outside the PRC, are not deemed a Chinese resident enterprise. However, under the EIT Law, we may in the future be deemed a Chinese resident enterprise by the Chinese tax authorities for tax purposes. As such, we may be required to withhold Chinese income tax on capital gains realized from sales of our Shares and dividends distributed to Shareholders, as such income may be regarded as income from "sources within China". In this case, our foreign corporate Shareholders who are not deemed Chinese resident enterprises may become subject to a 10% withholding income tax under the EIT Law, unless any such foreign corporate Shareholder is qualified for a preferential withholding rate under a tax treaty. If the Chinese tax authorities deem us as a Chinese resident enterprise, Shareholders who are not Chinese tax residents but seek to enjoy preferential tax rates under relevant tax treaties will need to apply to the Chinese tax authorities to seek approval for recognition of eligibility for such benefits in accordance with the Circular of the State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-resident Individuals and Enterprises to Enjoy the Treatment Under Taxation Treaties (關於印發非居民企業享受税收協定待遇管理辦法(試行)的通知) ("**Circular 124**"), issued on August 24, 2009 and effective from October 1, 2009. The preferential tax rate does not automatically apply. With respect to dividends, the beneficial ownership tests under the Circular on Interpretation and Determination of Beneficial Owner under Tax Treaties (關於如何理解和認定税收協定中"受益所有人"的通知) issued by the State Administration of Taxation (the "**Circular 601**") will also apply. If determined to be ineligible for treaty benefits, such a Shareholder would become subject to higher Chinese tax rates on dividends of our Shares. In such circumstances, the value of such foreign Shareholders' investment in our Shares sold in the Global Offering may be materially and adversely affected.

On February 3, 2015, the State Administration of Taxation of China issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得税若干問題的公告》) ("**Circular 7**"), which replaced certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on on-Resident Enterprises (《關於加強非居民企業股權轉讓企業所得税管理的通知》). Circular 7 provided comprehensive guidelines relating to, and also heightened the Chinese tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a Chinese resident enterprise (the "**Chinese Taxable Assets**").

For example, Circular 7 provides that where a non-resident enterprise transfers Chinese Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such Chinese Taxable Assets, Chinese tax authorities may disregard the existence of the overseas holding company and re-characterize the nature of the indirect transfer of Chinese Taxable Assets as a direct transfer of Chinese Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding Chinese EIT and without any other bona fide commercial purpose.

Except as provided in Circular No. 7, transfers of Chinese Taxable Assets under the following circumstances will be automatically deemed as having no bona fide commercial purpose, and are subject to Chinese enterprise income tax: (1) more than 75% of the value of the overseas enterprise is derived directly or indirectly from Chinese Taxable Assets; (2) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in China at any time during the year prior to the indirect transfer of the Chinese Taxable Assets, or more than 90% of the income of the overseas enterprise is directly or indirectly from China during the year prior to the indirect transfer of the Chinese Taxable Assets; (3) the overseas enterprise and its subsidiaries directly or indirectly hold the Chinese Taxable Assets and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organization forms, yet prove to be inadequate in their ability to perform their intended functions and withstand risks as their alleged organization forms suggest; or (4) the tax from the indirect transfer of Chinese Taxable Assets payable abroad is lower than the tax in China that may be imposed on the direct transfer of such Chinese Taxable Assets.

Although Circular 7 contains certain exemptions, it is unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of China involving Chinese Taxable Assets, or whether the Chinese tax authorities will reclassify such transaction by applying Circular 7. Therefore, the Chinese tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of China involving Chinese Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional Chinese tax reporting obligations or tax liabilities.

During the Track Record Period, we have taken some corporate restructuring steps, including the transfer of an equity interest in AK Medical Beijing to AK Medical HK in preparation for the Listing. See "History, Reorganization and Development" for details. These corporate restructuring steps taken by us may be subject to Circular 7. In particular, there is a risk that the relevant transfer of equity may be considered by the relevant Chinese tax authority as having no "reasonable commercial purpose" and thus subject to the EIT law. However, it is currently unclear how the relevant Chinese tax authorities will implement or enforce Circular 7.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control in the future may have a material adverse effect on our business operations, results of operations and financial condition.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions we conduct our business. These regions may be under the threat of typhoons, tornados, snow storms, earthquakes, floods, droughts, power shortages or failures, or are susceptible to epidemics, such as Severe Acute Respiratory Syndrome, avian influenza, H1N1 influenza, H5N1 influenza, H7N9 influenza or Middle East respiratory syndrome, potential wars or terrorist attacks, riots, disturbances or strikes. Serious natural disasters may result in a tremendous loss of lives and

injury and destruction of assets and disrupt our business and operations. Severe communicable disease outbreaks could result in a widespread health crisis that could materially and adversely affect business activities in the affected regions, which could therefore materially affect our operations. Acts of war or terrorism, riots or disturbances may also injure or cause deaths to our employees, and disrupt our business network and operations. Any of these factors and other factors beyond our control could have an adverse effect on the overall business environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

There is no existing public market for our Shares and their liquidity and market price may fluctuate.

Prior to the Global Offering, there has been no public market for our Shares. We cannot assure you that an active trading market for our Shares will develop and be sustained following the Global Offering. In addition, the initial issue price range for our Shares was the result of negotiations between our Company and the Sole Global Coordinator, and the Offer Price may differ significantly from the market price of our Shares following the completion of the Global Offering. We have applied for the listing of and permission to deal in our Shares on the Stock Exchange. The Listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, that it will be sustainable following the Global Offering or that the market price of our Shares will not decline after the Global Offering.

Furthermore, the price and trading volume of our Shares may be volatile. The following factors, among others, may cause the market price of our Shares after the Global Offering to vary significantly from the Offer Price, some of which are beyond our control:

- variations in our revenue, earnings and cash flow;
- unexpected business interruptions resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our operations;
- our inability to compete effectively in the market;
- political, economic, financial and social developments in China and Hong Kong and in the global economy;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance; and
- involvement in material litigation.

Our Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of other Shareholders.

Immediately following completion of the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-Allotment Option or the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), our Controlling Shareholders will collectively beneficially own 59.52825% of the issued share capital of our Company. For details of our Controlling Shareholders, see "Relationship with Our Controlling Shareholders". Therefore, our Controlling Shareholders have substantial influence over our business, including matters relating to our management and policies and decisions regarding mergers, expansion plans, business consolidation, the sale of all or substantially all of our assets, the election of directors and other significant corporate actions. 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. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholders may exercise their 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.

Future issuances or sales, or perceived issuances or sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares and our ability to raise capital in the future.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market, including by our Controlling Shareholders, or the issuance of new Shares by us, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to us, and our Shareholders may experience dilution in their holdings upon the issuance or sale of additional securities in the future.

The market price of our Shares when trading begins could be lower than the Offer Price.

The initial price to the public of our Shares sold in the Global Offering is expected to be determined on or about Wednesday, December 13, 2017 and in any event, not later than Tuesday, December 19, 2017. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be the fifth Business Day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, Shareholders are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Future financing may cause a dilution in your shareholding or place restrictions on our operations.

We may raise additional funds in the future to finance the expansion of our capacity, the enhancement of our research and development capabilities, the development of our operations, acquisitions or strategic partnerships. If additional funds are raised through the issuance of our new equity or equity-linked securities other than on a pro rata basis to existing Shareholders, the percentage ownership of such Shareholders in us may be reduced, and such new securities may confer rights and privileges that may take priority over those conferred by the Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consent for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate needs; and
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering.

Potential investors will pay a price per Share in the Global Offering that substantially exceeds the per Share value of our tangible assets after subtracting our total liabilities as of June 30, 2017. Therefore, purchasers of our Shares in the Global Offering will experience a substantial immediate dilution in pro forma net tangible assets, and our existing Shareholders will receive an increase in the pro forma adjusted net tangible assets per Share on their Shares. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their Shares. See Appendix II—"Unaudited Pro Forma Financial Information". In addition, holders of our Shares may experience a further dilution of their interest if the Sole Global Coordinator (on behalf of the International Underwriter) exercises the Over-Allotment Option.

We cannot assure you that we will declare and distribute any amount of dividends in the future and dividends distributed in the past may not be indicative of our dividend policy in the future.

In 2014, 2015, 2016 and the six months ended June 30, 2017, we declared dividends of RMB30.6 million, RMB118.0 million, RMB30.1 million and RMB23.1 million, respectively, all of which had been paid as of the Latest Practicable Date. In August 2017 and October 2017, our Board declared dividends of U.S. dollar equivalent of RMB11.0 million and RMB39.0 million, respectively, both of which had been paid in full before the Listing. We cannot assure you that dividends will be declared or paid in the future. A decision to declare or pay any dividends and the amount of dividends is subject to the discretion of our Directors, depending on, among other considerations, our operations, earnings, cash flows and financial position, operating and capital expenditure requirements, our strategic plans and prospects for business development, our

constitutional documents and applicable law. For more details on our dividend policy, please see "Financial Information—Dividends". In addition, as a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our operating subsidiaries. The calculation of our operating subsidiaries' profit under applicable accounting standards differs in certain aspects from the calculation under IFRS. Accordingly, we may not have sufficient or any profits to enable us to make dividend distributions to our Shareholder in the future, even if our IFRS financial statements indicate that our operations have been profitable.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official governmental sources or other sources contained in this prospectus.

Certain facts, statistics and data contained in this prospectus relating to China, Hong Kong, the orthopedic implant market, the medical device industry and the healthcare industry have been derived from various official government publications or other third party reports we generally believe to be reliable. We have taken reasonable care in the reproduction or extraction of the official government publications or other third party reports for the purpose of disclosure in this prospectus and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Hong Kong Underwriters or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside China and Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, you should give due consideration as to how much weight or importance they should attach to or place on such facts.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business, our industry or the Global Offering.

There may have been prior to the publication of this prospectus, and there may be subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and/or media regarding us, our business, our industries and the Global Offering. None of us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any other person involved in the Global Offering has authorized the disclosure of information about the Global Offering in any press or media and none of these parties accepts any responsibility for the accuracy or completeness of any such information or the fairness or appropriateness of any forecasts, views or opinions expressed by the press and/or other media regarding our Shares, the Global Offering, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed in any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, you are cautioned to make your investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the requirements under certain provisions of the Listing Rules.

MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This usually means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Given that our principal business operations, assets and production facilities are located, managed and conducted in China, and all of our executive Directors and senior management predominately reside in China, we do not and, in the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules subject to the following conditions:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and ensure that we will comply with the Listing Rules at all times. The two authorized representatives are Ms. Zhang Bin (our executive Director) and Ms. Han Yu (one of our joint company secretaries). In addition, Ms. Li Yan Wing Rita (one of our joint company secretaries) who is a Hong Kong permanent resident, has been appointed as an alternate authorized representative to each of Ms. Zhang Bin and Ms. Han Yu. Our authorized representatives will be readily contactable by telephone, facsimile and email and will be available to meet with the Stock Exchange on reasonable notice as and when required and will be able to contact our Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters;

(b) each of our Directors (including our non-executive Director and our independent non-executive Directors) holds valid travel documents and will be available to travel to Hong Kong to meet with the Stock Exchange within a reasonable timeframe upon request. Each of them will be readily contactable by telephone, facsimile and email, and is authorized to communicate on our behalf with the Stock Exchange;

(c) each of our authorized representatives (i) has provided her office phone number, mobile phone number, facsimile number and email address to the Stock Exchange; and (ii) will be able to contact our Directors and the other authorised representative promptly by telephone, facsimile and email at all times as and when the Stock Exchange wishes to contact our Directors on any matters. The mobile phone numbers, residential phone numbers, office phone numbers, fax numbers and e-mail addresses of all our Directors, authorised representatives and the joint company secretaries have also been provided to the Stock Exchange;

(d) we have appointed Guotai Junan Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules to act as our additional channel of communication with the Stock Exchange for a period commencing on the Listing Date and ending on the date on which we distribute the annual report for the first full financial year after the Listing Date in accordance with Rule 13.46 of the Listing Rules. Our compliance advisor will have access at all times to the authorized representatives, Directors, our senior management and other officers of our Company to ensure that it is in a position to provide prompt responses to any queries or requests from the Stock Exchange;

(e) to further enhance communication between the Stock Exchange, our authorized representatives and our Directors, we have implemented a policy whereby (i) each Director will provide, where available, his/her mobile phone number, residential phone number, facsimile number and email address to our authorized representatives; (ii) in the event that a Director expects to travel and be out of office, he/she will have to provide the phone number of the place of his accommodation or other means of communications to our authorized representatives; and (iii) all Directors will provide, where available, their mobile phone numbers, office phone numbers, facsimile numbers and email addresses to the Stock Exchange;

(f) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or our compliance advisor, or directly with our Directors within a reasonable timeframe; and

(g) our Company will also appoint other professional advisors (including legal advisors and accountants) after the Listing to assist our Company in dealing with any queries or questions raised by the Stock Exchange and to ensure efficient communication with the Stock Exchange.

Our Company will inform the Stock Exchange promptly in respect of any change in our authorized representatives and/or compliance advisor.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, we must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint an individual as our company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules sets out the academic and professional qualifications considered to be acceptable by the Stock Exchange:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and

(c) a certified public accountants (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

Note 2 to Rule 3.28 of the Listing Rules sets out the factors that the Stock Exchange considers when assessing an individuals relevant experience:

(a) length of employment with the issuer and other issuers and the roles he played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirements under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company has appointed Ms. Han Yu as one of its joint company secretaries. Ms. Han joined our Group in September 2015 and worked as the senior financial analysis manager of AK Medical Beijing until December 31, 2015. She has become the secretary to the board of directors of AK Medical Beijing since January 1, 2016 and has been assisting with company secretarial matters of our Group, such as maintenance of statutory registers, completion and filing of statutory forms and board resolutions, and arranging of board meetings. She is familiar with both the board and corporate governance practices of our Company. See "Directors and Senior Management" for further details of Ms. Han. However, Ms. Han does not possess the specified qualifications required by Rule 3.28 of the Listing Rules. Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements:

(a) Ms. Han will endeavor to attend and our Company will ensure Ms. Han to have access to relevant training courses to enable her to familiarize herself with the Listing Rules and the duties required of a company secretary of a Hong Kong listed company, including briefing on the latest changes to the applicable Hong Kong laws and regulations and the Listing Rules organized by our Company's Hong Kong legal advisor on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time;

(b) we have appointed Ms. Li Yan Wing Rita, who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as the other joint company secretary to also work closely with and provide assistance to Ms. Han for the discharge of her duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Ms. Han to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as our company secretary; during which period, Ms. Li will inform Ms. Han on a timely basis of the amendment and supplement to the Listing Rules and any new or amended laws, regulations or codes applicable to our Company, and latest changes to applicable Hong Kong laws and regulations and the Listing Rules. In addition, our Company will endeavor to arrange Ms. Han to have sufficient training through attending relevant external seminars and/or training courses;

(c) prior to the expiry of the three-year period, the qualifications and experience of Ms. Han will be re-evaluated. Ms. Han is expected to demonstrate to the Stock Exchanges satisfaction that she, having had the benefit of Ms. Li's assistance for three years, would then have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules; and

(d) Ms. Han will continue to be assisted by the compliance advisor of our Company, particularly in relation to the Hong Kong corporate governance practices and compliance issues, and the Hong Kong legal advisor of our Company, on matters concerning our Company's on-going compliance with the Listing Rules and the applicable laws and regulations.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Listing Rules preliminarily determined for an initial period of three years from the Listing Date, provided that Ms. Li is engaged as a joint company secretary to provide assistance to Ms. Han during such period. Upon the expiry of the initial three-year period, the qualifications of Ms. Han will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Listing Rules can be satisfied. In the event that Ms. Han has obtained the relevant experience under Note 2 to Rule 3.28 of the Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set forth the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. 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 any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Global Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement, with one of the conditions being that the Offer Price is agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters). The International Placing is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date. Further information about the Underwriters and the underwriting arrangements is set forth in "Underwriting" in this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set forth in "How to Apply for the Hong Kong Offer Shares" in this prospectus and in the Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Particulars of the structure of the Global Offering, including its conditions, are set forth in "Structure of the Global Offering" in this prospectus.

RESTRICTIONS ON OFFERS AND SALES OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-Allotment Option).

Except as disclosed in this prospectus, no part of our equity or debt securities is listed on or dealt in on any other stock exchange and no such listing or permission to list is being sought.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, December 20, 2017. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares will be 1789.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

OVER-ALLOTMENT OPTION AND STABILIZATION

For details of the arrangements relating to the Over-Allotment Option and stabilization, see "Structure of the Global Offering—Over-Allotment Option" and "Structure of the Global Offering—Stabilization".

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

REGISTER OF MEMBERS AND STAMP DUTY

All Shares issued pursuant to applications made in the Global Offering will be registered on our Company's register of members to be maintained by Tricor Investor Services Limited, the Hong Kong Share Registrar. Dealings in our Shares registered on our Company's register of members in Hong Kong will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required).

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in RMB and Hong Kong dollars have been translated into other currencies in this prospectus, for the purpose of illustration only, at RMB0.8438: HK$1.0000 (set by the PBOC for foreign exchange transactions prevailing on the Latest Practicable Date).

No representation is made that any amounts in RMB or Hong Kong dollars were or could have been or could be converted into each other at such rates or any other exchange rates on such date or any other date.

NUMBER OF DISTRIBUTORS

Unless otherwise specified, distributor entities that are related parties to our knowledge are considered one distributor for the purpose of calculating the number of our distributors, determination of the single largest customer and top five customers, and the revenue derived from them.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between this English prospectus and the Chinese translation of this English prospectus, this English prospectus shall prevail. If there is any inconsistency between the names of any of the entities mentioned in this English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

OTHERS

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-Allotment Option is not exercised.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Li Zhijiang (李志疆)	Flat 6, Biexiafang Xin Xin Xiao Zhen Huairou District Beijing 101400 China	Chinese
Zhang Bin (張斌)	Flat 6, Biexiafang Xin Xin Xiao Zhen Huairou District Beijing 101400 China	Chinese
Zhang Chaoyang (張朝陽)	Room 3-2108 Dujingyuan Mudanyuan Haidian District Beijing China	Chinese
Zhao Xiaohong (趙曉紅)	Lingxiuxinguigu No 2 Xi'erqixi Road Haidian District Beijing China	Chinese
Non-executive Directors		
Li Wenming (李文明)	1-1202, 12th Floor, Building 20 Beiyuan Jiayuan Moliyuan Chaoyang District Beijing China	Chinese
Wang David Guowei (王國瑋)	27 Tyler Rd Lexington MA 02420 United States	United States

Name	Address	Nationality
Independent non-executive Directors		
Dang Gengting (黨耕町)	No. 5, 10/F Building 6 No. 49 Huayuanbei Road Haidian District Beijing China	Chinese
Kong Chi Mo (江智武)	Flat 5, 3/F 43 Tung Chau Street Kowloon Hong Kong	Chinese
Li Shu Wing David (李澍榮)	Room H, 30/F. Block One Vianni Cove 33 Tin Kwai Road Tin Shui Wai, N.T. Hong Kong	Chinese

Please see the section headed "Directors and Senior Management" for further information.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Goldman Sachs (Asia) L.L.C.** 68th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
Sole Global Coordinator and Sole Bookrunner	**Goldman Sachs (Asia) L.L.C.** 68th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
Joint Lead Managers	**Goldman Sachs (Asia) L.L.C.** 68th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong **Guotai Junan Securities (Hong Kong) Limited** 26/F-28/F, Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Legal advisors to our Company	*As to Hong Kong and U.S. laws:* **Mayer Brown JSM** 16th-19th Floors Prince's Building 10 Charter Road Central Hong Kong *As to Chinese law:* **Jingtian & Gongcheng** 34th Floor, Tower 3 China Central Place 77 Jianguo Road Chaoyang District Beijing 100025 China *As to Cayman Islands law:* **Conyers Dill & Pearman** Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands

Legal advisors to the Sole Sponsor and the Underwriters	*As to Hong Kong and U.S. laws:* **Sullivan & Cromwell (Hong Kong) LLP** 28th Floor Nine Queen's Road Central Hong Kong *As to Chinese law:* **Commerce & Finance Law Offices** 6th Floor, NCI Tower A12 Jianguomenwai Avenue Beijing China
Auditors and reporting accountants	**KPMG** *Certified Public Accountants* 8th Floor Prince's Building 10 Chater Road Central Hong Kong
Receiving bank	**Standard Chartered Bank (Hong Kong) Limited** 15th Floor, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Kowloon, Hong Kong
Compliance advisor	**Guotai Junan Capital Limited** 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai China

Registered office	**Conyers Trust Company (Cayman) Limited** Cricket Square Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarters and principal place of business in China	10 Baifuquan Road Changping District Science and Technology Park Beijing China
Principal place of business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Joint Company Secretaries	Ms. Han Yu (韓鈺) 1-3-403, No. 2 Zhongtao Alley Dongcheng District Beijing China Ms. Li Yan Wing Rita (李昕穎), *FCIS, FCS(PE)* Flat B, 25/F High Park 51 Boundary Street Mongkok Hong Kong
Authorized representatives	Ms. Zhang Bin (張斌) *Ms. Li Yan Wing Rita (李昕穎) as her alternate* Flat 6, Biexiafang Xin Xin Xiao Zhen Huairou District Beijing 101400 China Ms. Han Yu (韓鈺) *Ms. Li Yan Wing Rita (李昕穎) as her alternate* 1-3-403, No. 2 Zhongtao Alley Dongcheng District Beijing China

Audit committee

Mr. Kong Chi Mo (江智武) *(Chairman)*
Mr. Li Shu Wing David (李澍榮)
Mr. Li Wenming (李文明)

Remuneration committee

Mr. Li Shu Wing David (李澍榮) *(Chairman)*
Mr. Kong Chi Mo (江智武)
Mr. Li Zhijiang (李志疆)

Nomination committee

Mr. Li Zhijiang (李志疆) *(Chairman)*
Mr. Li Shu Wing David (李澍榮)
Mr. Dang Gengting (黨耕町)

Principal share registrar and transfer office

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal bankers

Agricultural Bank of China
No. 10, Baifuquan Road
Changping District
Beijing
China

Bank of China
No. 57 Nanhuan Road
Changping District
Beijing
China

Bank of Communications
103-1, 1F, Tower 2, No. 29
North Third Ring Middle Road
Xicheng District
Beijing
China

East West Bank
Suite 1108
11/F Two IFC
8 Finance Street
Hong Kong

	The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong
Company website address	**www.ak-medical.net**(1)

(1) The information contained on the website of our Company does not form part of this prospectus.

The information presented in this section, including certain facts, statistics and data, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us, unless otherwise indicated. We believe that these sources are appropriate for such information and we have taken reasonable care in extracting and reproducing such information. Therefore, we have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. However, the information has not been independently verified by our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy. The information and statistics may not be consistent with other information and statistics compiled within or outside of China.

SOURCE OF INFORMATION

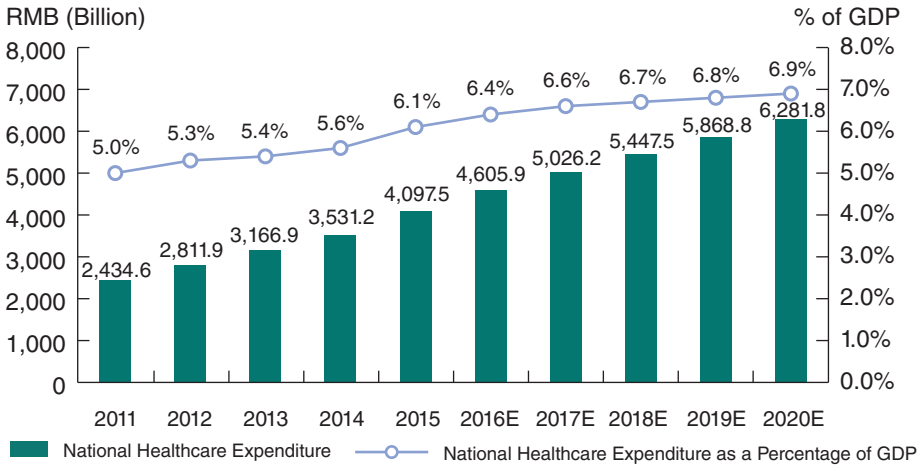
In connection with the Global Offering, we have commissioned Frost & Sullivan, an independent third party, to conduct an analysis of, and to report on, China's medical device and orthopedic implant market. The report we commissioned, or the Frost & Sullivan Report, has been prepared by Frost & Sullivan independent of our influence. The fee payable to Frost & Sullivan for preparing the Frost & Sullivan Report is RMB1,070,000, which we consider reflects market rates for similar services. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We have included certain information from the Frost & Sullivan Report in this prospectus because we believe this information facilitates an understanding of this market for potential investors. Frost & Sullivan has been covering the Chinese market from its offices in China since the 1990's.

The Frost & Sullivan Report that we commissioned includes information on China's medical device and orthopedic implant markets, and certain segments and other market and economic data, which have been quoted in this prospectus. Frost & Sullivan's independent research was undertaken through both primary and secondary research obtained from various sources within China. Primary research involved interviews with leading industry participants and distributors in the Chinese orthopedic implant market, China Association for Medical Devices Industry, other research agencies affiliated with the Chinese government, and other experts related to the business of our Company. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database and government database. In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions: (1) China's economy is likely to grow at a steady rate in the next decade; (2) China's social, economic and political environment is likely to remain stable in the forecast period, which ensures the stable and healthy development of the medical device and orthopedic implant industries; and (3) there will be no wars or large scale disasters during the forecast period.

Except as otherwise noted, all the data and forecast in this section are derived from the Frost & Sullivan Report. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information that would qualify, contradict or have a material impact on such information since the date of the Frost & Sullivan Report.

THE HEALTHCARE SERVICES MARKET IN CHINA

China's total healthcare expenditure grew to RMB4,097.5 billion, or 6.1% of its GDP, in 2015 from RMB2,434.6 billion, or 5.0% of its GDP, in 2011, representing a CAGR of 13.9%. Frost & Sullivan projects that China's total healthcare expenditure will reach RMB6,281.8 billion, or 6.9% of its GDP, in 2020, representing a CAGR of 8.9% from 2015 to 2020. The following chart sets forth China's total historical and projected healthcare expenditure for the periods indicated:

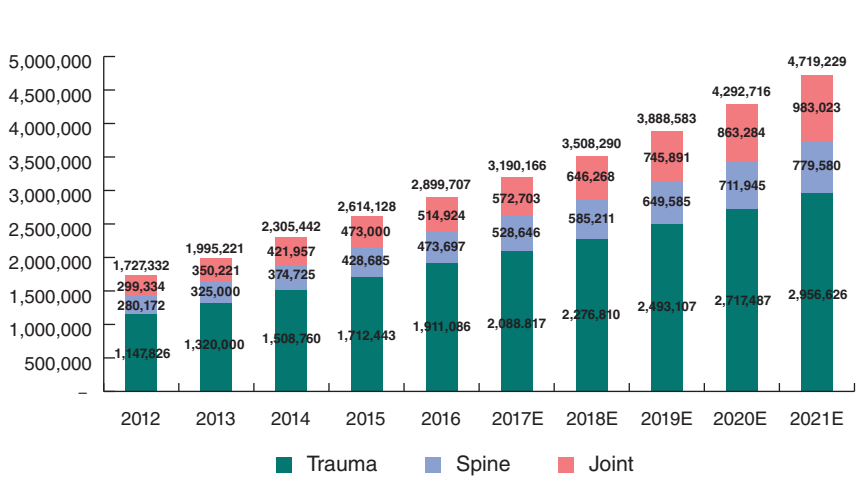


China's total healthcare expenditure from 2011 to 2015 grew the fastest among the 12 countries with the largest GDP in the world in terms of both total healthcare expenditure and per capita healthcare expenditure. However, on a per capita healthcare expenditure basis, China's healthcare industry is still underdeveloped compared to that of developed countries. China had a per capita total healthcare expenditure of only RMB2,980.8 in 2015. Furthermore, according to Frost & Sullivan, fueled by a rapidly aging population, the Chinese healthcare industry is experiencing a customer demographic shift that could provide immense opportunities for healthcare service providers.

THE GENERAL ORTHOPEDIC IMPLANT MARKET IN CHINA

The general orthopedic implant market consists of three major segments: trauma implants, spine replacement implants and orthopedic joint implants. The orthopedic joint implant market was the second largest segment of China's general orthopedic implant market in 2016 by both surgery volume and revenue. It is second only to the trauma implant market. Moreover, the orthopedic joint implant market grew the fastest among the three segments at a CAGR of 14.5% in terms of surgery volume and 13.9% in terms of revenue from 2012 to 2016. The spine replacement implant market also outgrew the industry average, representing a CAGR of 14.0% in terms of surgery volume and 13.6% in terms of revenue from 2012 to 2016.

The surgery volume for orthopedic implants in China grew from approximately 1.7 million in 2012 to 2.9 million in 2016, representing a CAGR of 13.8%, and is expected to grow to 4.7 million by 2021, representing a CAGR of 10.2% between 2016 and 2021. The following chart sets forth a breakdown of the historical and projected surgery volume and CAGR of China's general orthopedic implant market divided into the three major market sectors.



	CAGR	
	2012-2016	2016-2021
Trauma	13.8%	10.2%
Spine	14.5%	13.8%
Joint	14.0%	10.5%
	13.6%	9.1%

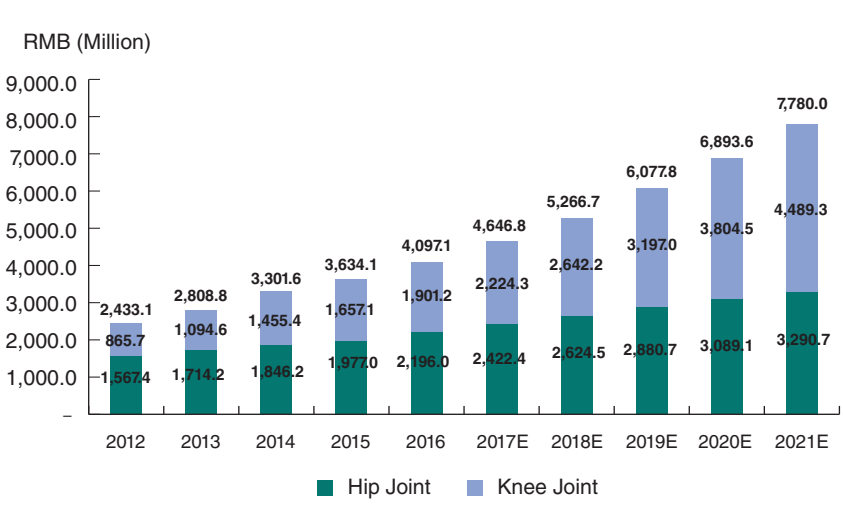
Source: Frost & Sullivan Report

Between 2012 and 2016, the general orthopedic implant market in China grew from approximately RMB7.4 billion to RMB12.3 billion in terms of revenue , representing a CAGR of 13.5%, and is expected to grow to RMB20.3 billion in 2021, representing a CAGR of 10.6% between 2016 and 2021, according to Frost & Sullivan. Specifically, the market of orthopedic joint implants for the treatment of bone tumor is expected to grow from RMB143.5 million in 2016 to RMB325.7 million in 2021 at a CAGR of 17.8%, with the spine replacement implant market in China expected to grow from RMB3.2 billion in 2016 to RMB5.1 billion in 2021 at a CAGR of 9.5% and trauma implant market expected to grow from RMB5.0 billion in 2016 to RMB7.5 billion in 2021 at a CAGR of 8.5%. Additionally, the dental prosthetics market is expected to grow from RMB8.6 billion in 2016 to RMB18.8 billion in 2021, representing a CAGR of 17.0%.

THE ORTHOPEDIC JOINT IMPLANT MARKET IN CHINA

Market Size and Growth

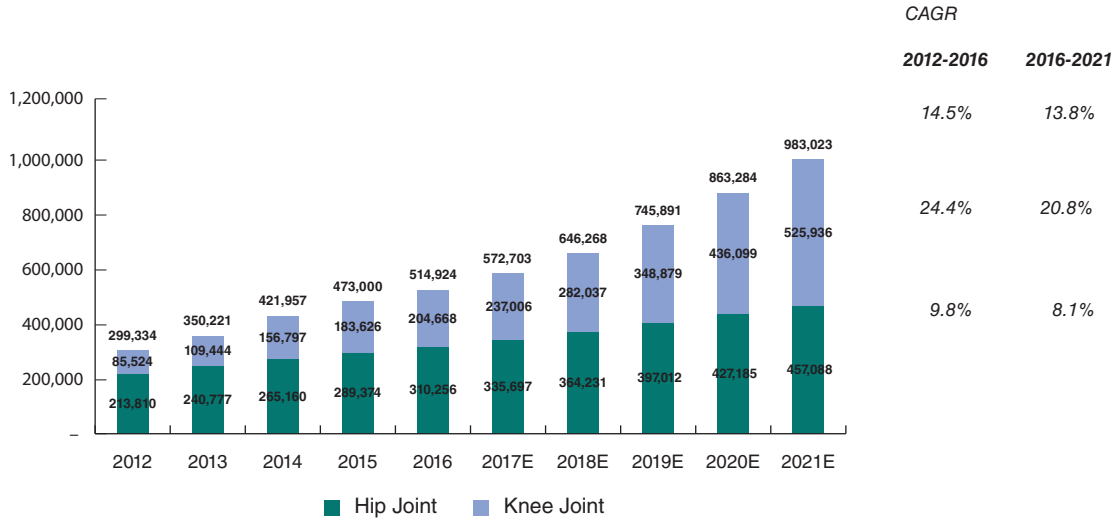
The orthopedic joint implant market mainly consists of the hip and knee replacement implant sectors. China's orthopedic joint implant market grew from approximately RMB2.4 billion in 2012 to RMB4.1 billion in 2016, representing a CAGR of 13.9%, and is projected to further grow to RMB7.8 billion in 2021, representing a CAGR of 13.7% between 2016 and 2021. The following chart sets forth the historical and projected orthopedic joint implant market size in China by sector:



	CAGR	
	2012-2016	2016-2021
	13.9%	13.7%
	21.7%	18.7%
	8.8%	8.4%

Source: Frost & Sullivan Report

The following chart sets forth the historical and projected orthopedic joint implant surgery volume in China by sector:

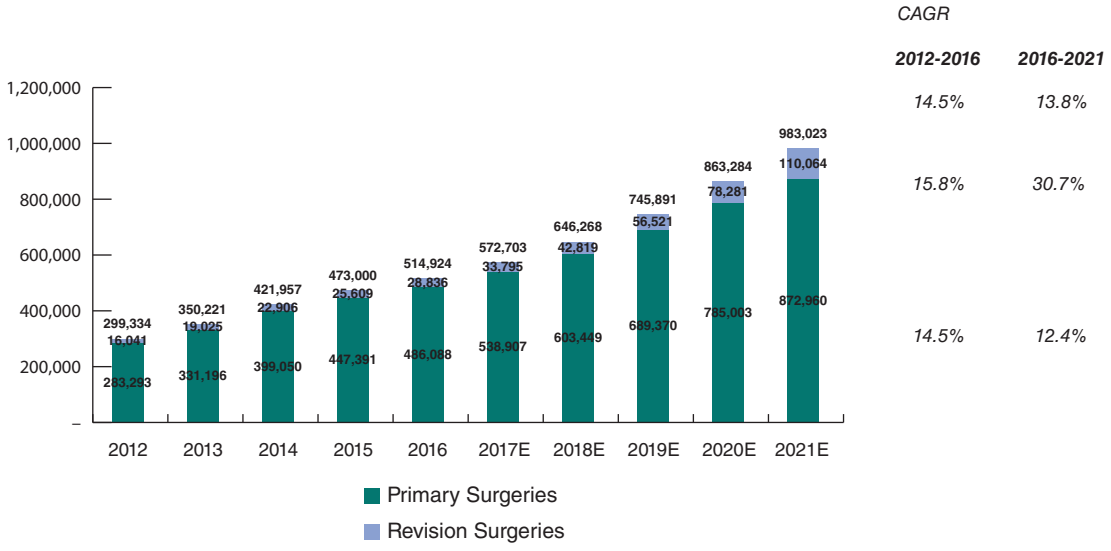


Source: Frost & Sullivan Report

Primary and Revision Surgeries

A primary surgery replaces a patient's natural joint with an implant. Patients who have undergone primary surgeries may need to go through revision surgeries to replace or repair an implant or repair defective bone parts. According to Frost & Sullivan, the primary barriers to entry in the revision surgeries market include: the relatively higher technological requirements as compared to those of the primary surgery market, the requirement for more precision in the design and development of the orthopedic joint implants, and user adhesiveness to surgical instruments and existing established brands. As the bone and tissue structures of patients who need to have revision surgeries have already been reduced due to their primary surgeries, and can therefore provide less guidance in positioning and support, the design and development of orthopedic joint implants for revision surgeries require more precision and the production of these implants requires materials with better compatibility with bones, better durability, and the use of more advanced bone interface technologies. As a result, patients and surgeons are particularly keen on choosing reliable and established brands for revision surgeries. This further incentivizes surgeons to use the most commonly used brands of orthopedic joint implants and surgical instruments with which they are familiar. As such, revision surgeries generally result in a higher profit margin for orthopedic joint implant companies than primary surgeries. Frost & Sullivan projected that joint revision surgeries for total knee and total hip replacement implants as a percentage of total orthopedic joint implant surgeries will increase from 5.6% in 2016 to 11.2% in 2021. This growth is partially driven by the first batch of primary joint surgery patients in China who are starting to require revision surgeries. As revision surgeries require a higher degree of precision, 3D-printing, which allows for a greater level of precision than other more traditional products, is expected to serve as one of the main technologies for revision surgeries moving forward. See "—Overview of 3D Printing and Its Application in China's Orthopedic Implant Market".

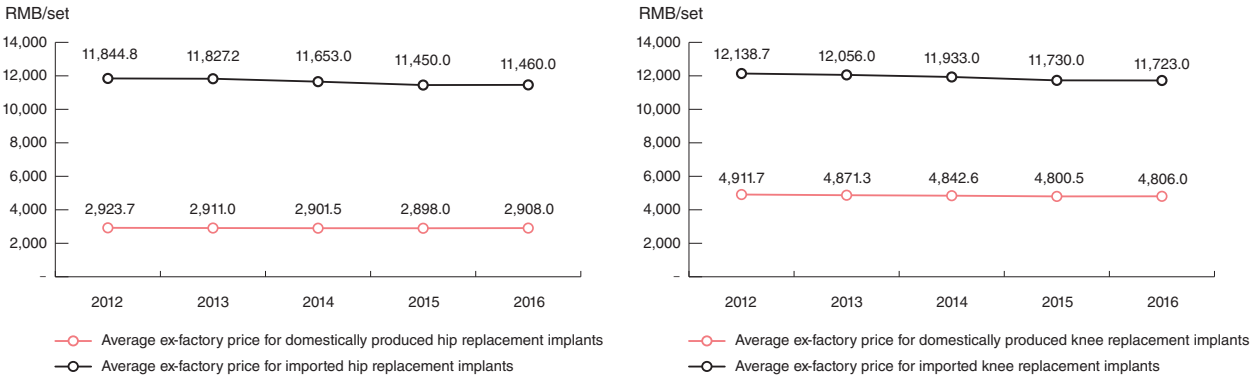
The volume of primary orthopedic joint implant surgeries in China grew from 283,293 in 2012 to 486,088 in 2016, representing a CAGR of 14.5%, and is expected to grow to 872,960 by 2021, representing a CAGR of 12.4% between 2016 and 2021. The volume of revision surgeries grew from 16,041 in 2012 to 28,836 in 2016, representing a CAGR of 15.8%, and is expected to grow to 110,064 by 2021, representing a CAGR of 30.7% between 2016 and 2021. The following chart sets forth the historical and projected orthopedic joint implant surgery volume in China, divided into primary and revision surgeries:



Source: Frost & Sullivan Report

Average Ex-factory Price of Orthopedic Joint Implants

According to Frost & Sullivan, the average ex-factory price of both imported and domestically produced orthopedic joint implants generally remained stable from 2012 to 2016. During the same period, imported orthopedic joint implants had a higher average ex-factory price than domestically produced products. The following chart sets forth the historical average ex-factory price of hip replacement implants and knee replacement implants, respectively, in China, divided into domestically produced implants and imported implants:



Source: Frost & Sullivan Report

Key Drivers of the Orthopedic Joint Implant Market in China

According to Frost & Sullivan, the orthopedic joint implant market in China is expected to continue to grow rapidly in the next few years. Future growth of the orthopedic joint implant market in China is expected to be primarily driven by (1) a growing number of patients, (2) greater access to orthopedic joint implant surgery, (3) improved affordability of orthopedic joint implant surgery and (4) product innovation.

- *Growing number of patients*: An aging population and lifestyle changes in China have led to a rapid increase in the incidence of joint disorders, requiring orthopedic joint implants and lifelong maintenance. According to the National Bureau of Statistics of China, approximately 150.0 million people were 65 years old or above in 2016, representing 10.9% of the total population in China, and Frost & Sullivan projected this number to grow to 194.2 million by 2021, representing 13.8% of the population at the time. In addition, changes in lifestyle have contributed to increased obesity rates, which, along with lack of regular exercise, are factors in developing joint disorders.

- *Greater access to orthopedic joint implant surgery*: According to the latest policy issued by the Ministry of Health of China, qualified county-level hospitals are permitted to conduct orthopedic joint implant surgeries. According to the Opinions on Implementation of Comprehensively Promoting the Full-Scale Reform of County-Level Public Hospitals (《國務院辦公廳關於全面推開縣級公立醫院綜合改革的實施意見》) issued by the General Office of State Council in 2015, the government intends to significantly improve the clinical competency of county-level hospitals on treating complicated cases, so that more patients could receive treatment in local medical institutions by 2017. In addition, the number of qualified orthopedists in hospitals in China increased from 36,053 in 2011 to 49,376 in 2015. As a result of these policies and trends, orthopedic joint implant surgeries have become more accessible to patients.

- *Improved affordability of orthopedic joint implant surgery*: In light of China's continued economic growth, the average income level in China has increased substantially in recent years. At the same time, the Chinese government has expanded public medical insurance coverage and increased reimbursement rates for orthopedic joint implants, especially for domestically produced products. As a result, orthopedic joint implant surgeries have become more affordable.

- *Product innovation*: Innovations in advanced materials, fixation technologies and product designs increase the efficiency of implantation and address unmet clinical demands, which would drive market demand. In addition, innovative orthopedic joint implants command higher prices, which also drive growth of the market.

Entry Barriers in the Orthopedic Joint Implant Market in China

According to Frost & Sullivan, there are primarily four entry barriers in China's orthopedic joint implant market:

- *R&D capability*: Since orthopedic joint implants are Class III medical devices subject to stringent regulatory standards on safety and effectiveness, and involve multi-disciplinary knowledge and technologies, strong R&D capabilities are necessary to develop the products. Existing players continuously invest in improving their products, which are difficult for new entrants to match.

- *Regulatory environment*: Orthopedic joint implants are heavily regulated by the Chinese government, requiring significant time and effort to obtain approvals or comply with various regulations. See "Regulation" for details.

- *Distribution channel*: According to Frost & Sullivan, players in the orthopedic joint implant market rely significantly on the distributorship sales model. To distribute orthopedic joint implants, distributors must obtain approval from regulatory authorities and provide specialized after-sales services to hospitals. As a result, new entrants need a significant amount of time to establish relationships with an effective network of distributors, hampering their ability to access the market.

- *Brand recognition*: Surgeons are more willing to use orthopedic joint implants from familiar brands that have been proven safe and effective. A well-known brand with a reliable reputation may take years of effort and investment to build.

Competitive Landscape

According to Frost & Sullivan, our brand "AK Medical" ("愛康") is the bestselling brand of orthopedic joint implants in China by sales volume in 2016 and the bestselling domestic orthopedic joint implant brand in China by revenue in 2016.

The following table sets forth the top brands in China's orthopedic joint implant market in terms of sales volume in 2016:

Rank	Brand	Sales volume[1]	Market Share (%)	Type of brand
1	AK Medical	73,691	14.3	Domestic
2	Brand A	56,370	10.9	International
3	Brand B	55,097	10.7	International
4	Brand C	53,845	10.5	International
5	Brand D	52,553	10.2	Domestic
6	Brand E	47,052	9.1	International
7	Brand F	26,997	5.2	International
8	Brand G	22,082	4.3	Domestic

(1) Representing the total number of sets of off-the-shelf joint implants and pieces of 3D-printed joint implants sold in China.

Source: Frost & Sullivan Report

The following table sets forth the top brands in China's orthopedic joint implant market in terms of revenue in 2016:

Rank	Brand	Revenue[1] (RMB million)	Market Share (%)	Type of brand
1	Brand A	698.5	17.0	International
2	Brand B	602.9	14.7	International
3	Brand C	588.0	14.4	International
4	Brand D	554.6	13.5	International
5	Brand E	293.2	7.2	International
6	AK Medical	245.2	6.0	Domestic
7	Brand F	203.4	5.0	International
8	Brand G	196.2	4.8	Domestic

(1) Representing the revenue derived from sales in China.

Source: Frost & Sullivan Report

The primary reason that we had a larger market share in terms of sales volume than revenue is because products of international brands generally have higher ex-factory prices than those of domestic brands. In 2016, our "AK Medical" ("愛康") was the bestselling brand of orthopedic joint implants in China by sales volume. In the same year, "AK Medical" ("愛康") was also the bestselling domestic orthopedic joint implant brand and ranked sixth overall in China by revenue. The top five brands in China by revenue in 2016 were all international brands.

OVERVIEW OF 3D-PRINTING AND ITS APPLICATION IN CHINA'S ORTHOPEDIC IMPLANT MARKET

3D-printing refers to the computer-controlled process of joining, fusing or depositing materials, such as plastic, metal, ceramics, powders, and liquids. Traditional manufacturing technology is limited in its ability to fit products to individual needs. The application of 3D-printing technologies in the orthopedic implant market makes producing customized and complex products possible. An example of the limitation of off-the-shelf products can be found in the treatment for bone tumors, which afflicts nearly 28,000 new patients each year in China. As the areas of disease of the patients often have unique sizes and shapes, the current treatment methods for bone tumors have their limitations. Traditional implants are of limited sizes and shapes, which would generally require extensive bone and tissue removal. Implants with replaceable ready-made components offer more choices in sizes and shapes than traditional products but still would not fit the patients' areas of disease precisely. Customized implants produced with non-3D-printed methods ensure proper fit but the production cost is relatively high. 3D-printing technologies address such deficiencies as it could produce complex and customized implants using a computer controlled production process based on the 3D model of each patient's pathological area, ensuring perfect fit and reducing production cost. 3D-printed products also have an advantage in the revision surgery market. As the patients receiving revision surgeries already have their bone and tissue structures reduced from the primary surgery, their residuals can provide less guidance in positioning and support in the revision surgery. Therefore, traditional methods of treatment often fall short of delivering an orthopedic product that could meet the surgeons' and the patients' need for precision.

Our Position in the Market

There are four different and interconnecting services relating to surgical solutions involving 3D-printing technologies, namely (1) 3D-imaging and 3D-modeling, (2) formation of 3D-printed models and patient-specific surgical plans, (3) production of 3D-printed surgical instruments, such as surgical guides and (4) production of 3D-printed orthopedic implants. According to Frost & Sullivan, we are the only company that provides one-stop orthopedic surgical solutions integrating all four services in China. See "Our Business—Our Product Portfolio and Services—3D ACT Solutions". The following table sets forth a brief overview of the scope of services provided by certain orthopedic implant companies in relation to surgical solutions involving 3D-printing technologies globally:

	3D-imaging and 3D-modeling	Providing 3D-printed models and developing patient-specific surgical plans	Producing 3D-printed surgical instruments	Producing 3D-printed joint replacement implants
AK Medical	✔	✔	✔	✔
Auto desk, Inc.	✔			
Stratasys, Ltd.	✔	✔		
Materialise NV	✔	✔	✔	
ConforMIS, Inc.	✔	✔	✔	
Stryker Corporation				✔

Source: Frost & Sullivan Report

Favorable Government Policies on 3D-Printing

The Chinese government has promulgated a series of policies to encourage the development of 3D-printing technologies and their potential application in medical devices in China. In 2013, the 3D-printing industry was designated as a focus industry for development by the Ministry of Science and Technology of China. Although 3D-printed products used for medical purposes are subject to the CFDA approval, the Notice on Special Examination and Approval Procedures for Innovative Medical Devices (Trial) (創新醫療器械特別審批程序(試行)的通知) issued in February 2014 has streamlined and simplified the registration process for 3D-printed products. "Made in China 2025" initiative (中國製造2025), the Chinese government's initiative to comprehensively upgrade Chinese industry also highlighted 3D-printing as a priority sector. Under the 13th Five-Year National Science and Technology Innovation Plan, domestic enterprises are encouraged to develop medical devices like biomedical materials including 3D printing materials and medical implants. Additionally, the 13th Five-Year National Strategic Emerging Industry Development Plan maps out a combination of steps involving the development of innovative medical devices and construction of mobile healthcare and telehealth systems as well as reformation of industry regulation to promote the development of the Chinese Smart Healthcare Industry. Moreover, the Chinese government promulgated the "Health China 2030," which initiated further reform with a focus on accelerating the approval process for innovative or urgently-needed medical devices, and published an implementation plan to further develop 3D-printing technologies and applications in 2016.

IMPORT SUBSTITUTION WITH DOMESTIC PRODUCTS

Imported products have a larger market share than domestically produced products in the orthopedic joint and spine replacement implant market in China. According to Frost & Sullivan, by volume, the market share of domestically produced orthopedic joint implants and spine replacement implants in 2016 was 46.7% and 56.8%, respectively. In particular, imported products had a much larger market share of 68.8% in the knee replacement implant sector, compared to that of 43.0% in the hip replacement implant sector, in China in 2016. This is mainly because the design and production of knee replacement implants have a higher technological entry barrier than hip replacement implants and international orthopedic implant companies generally have stronger R&D capabilities and longer product track records and therefore enjoy a technological advantage over China-based orthopedic implant companies in the design and production of knee replacement implants. In addition, compared to China-based orthopedic implant companies, international companies generally have more integrated and effective marketing plans.

The Chinese government has instituted policies to encourage the use of medical devices produced in China over imported products. According to Frost & Sullivan, capped reimbursements (such as in Beijing, Luoyang and Shanghai) and variable-rate deductibles (such as in Ningbo and Wuhan) are two medical insurance policies commonly adopted by local governments, and in both cases, patients using orthopedic implants produced in China enjoy a higher reimbursement rate (which differs from city to city) than those using imported products. In addition, in many regions in China the New Rural Medical Insurance System in which rural residents in China are eligible to participate only reimburses patients using orthopedic implants produced in China. Medical insurance reimbursements are paid directly to the relevant medical institutions. Therefore, the higher the reimbursement rate, the less the patients have to pay for the medical treatment they receive. The following table sets forth the current reimbursement percentages for domestic products and imported products in certain cities in China:

	Reimbursement as percentage of total costs[1]	
City	**Domestic**	**Imported**
Beijing	50-55%	25-30%
Shanghai	70-75%	65-70%
Ningbo	75-80%	60-65%
Luoyang	65-70%	45-50%
Wuhan	55-60%	40-45%

(1) Reimbursement rates are calculated for employees covered by Urban Employee Basic Insurance System.

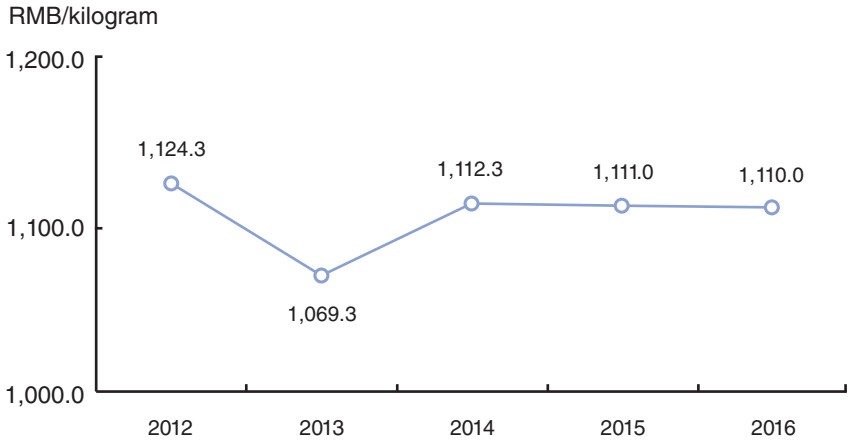
Source: Frost & Sullivan Report

According to Frost & Sullivan, domestically produced trauma implants and coronary stents accounted for market share of 85.2% and 72.6% in 2016, respectively, implying a large room for other domestically produced products to capture. In both the hip and knee replacement implant sectors, domestically produced products are gaining market share against imported products. The market share of domestically produced orthopedic joint implants increased from 44.1% in 2012 to 46.7% in 2016. The market share of domestically produced hip replacement implants increased from 50.6% in 2012 to 57.0% in 2016 and is projected to continue to increase to 62.2% in 2021 by surgery volume, according to Frost & Sullivan. The market share of domestically produced knee replacement implants increased from 27.9% in 2012 to 31.2% in 2016 and is projected to continue to increase to 37.5% in 2021 by surgery volume.

HISTORICAL PRICES OF MAJOR RAW MATERIALS

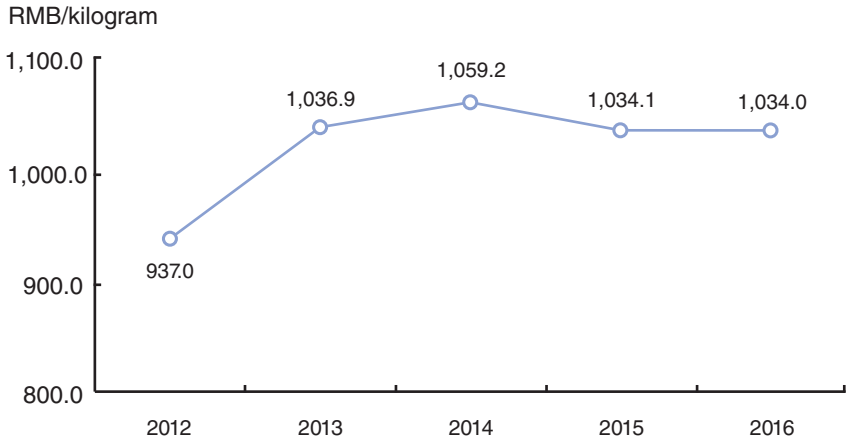
Major raw materials used in orthopedic implants include titanium alloy, cobalt-chromium-molybdenum alloy and ultra-high molecular weight polyethylene materials. Fluctuations in prices of raw materials affect the cost structure, product pricing and profitability of orthopedic implant companies. According to Frost & Sullivan, the historical prices of titanium alloy, cobalt-chromium-molybdenum alloy and ultra-high molecular weight polyethylene have generally increased in China in recent years, as a result of the increasing demand for orthopedic implants. Due to the sufficient supply of raw materials in China market, their prices have not increased considerably in the past few years. A slow-growing trend will continue for the next few years.

The price of titanium alloy fluctuated slightly between RMB1,069 per kilogram and RMB1,124 per kilogram during 2012 and 2016. The following chart sets forth the historical prices of titanium alloy for the years indicated:



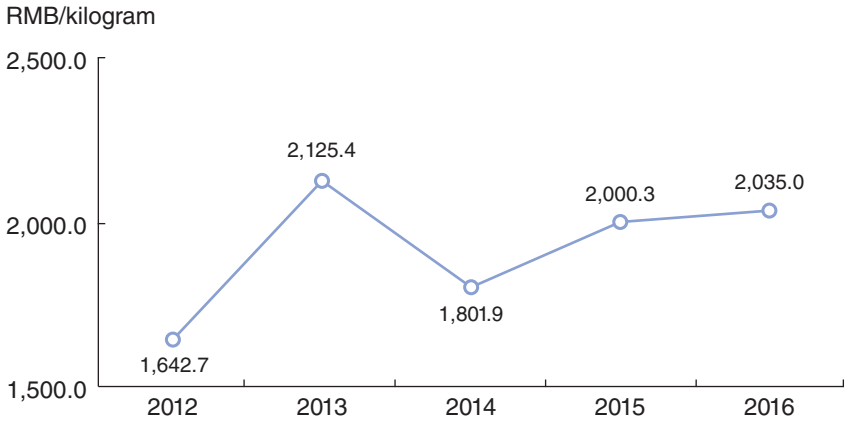
Source: Frost & Sullivan Report

The price of cobalt-chromium-molybdenum alloy fluctuated between RMB937 per kilogram to RMB1,059 per kilogram during 2012 and 2016. The following chart sets forth the historical prices of cobalt-chromium-molybdenum alloy for the years indicated:



Source: Frost & Sullivan Report

The price of ultra-high molecular weight polyethylene materials increased from RMB1,643 per kilogram in 2012 to RMB2,035 per kilogram in 2016. The following chart sets forth the historical prices of ultra-high molecular weight polyethylene materials for the years indicated:



Source: Frost & Sullivan Report

This section sets forth a summary of certain aspects of Chinese laws, rules and regulations, which are relevant to our business and operations in China.

CLASSIFICATION OF MEDICAL DEVICES

Pursuant to the Regulations on Supervision of Medical Devices (《醫療器械監督管理條例》) promulgated by the State Council of China and became effective on April 1, 2000, which was amended on March 7, 2014 and May 4, 2017 and the last amendment came into force on May 4, 2017, China adopts classified administration over medical devices based on the invasiveness of, and risks associated with, each medical device. Class I medical devices are those with relatively low risks whose safety and effectiveness can be guaranteed through routine administration. Class II medical devices are those devices with moderate risks whose safety and effectiveness need to be ensured with strict control and administration. Class III medical devices are those devices with relatively high risks and need special measures for strict control and administration to ensure safety and effectiveness.

Our orthopedic implants are classified as Class III medical devices, and our surgical instruments are Class II medical devices.

MEDICAL DEVICE REGISTRATION CERTIFICATE

Pursuant to the Administrative Measures for the Medical Devices Registration (《醫療器械註冊管理辦法》) promulgated by CFDA on July 30, 2014 and became effective on October 1, 2014, producers engaging in the production of Class I medical devices are required to file with the relevant food and drug administrative authorities at city level. Production of Class II medical devices is subject to the inspection and approval of the drug administrative authorities at the provincial level, and the grant of product registration certificates. Production of Class III medical devices is subject to the inspection and approval and the grant of product registration certificates by the CFDA. The medical device registration certificate is valid for five years and the holder of which shall apply for extension within six months prior to its expiration. Generally, clinical trial is necessary for the production of Class II and Class III medical devices. Clinical trial is not required under any of the following circumstances:

a) Medical devices with detailed operation mechanism, fixed design and mature production technology, and the same types of medical devices in the market have no record of severe adverse events after years of clinical application, and there are no changes on their ordinary usage;

b) medical devices that are proven to be safe and effective through non-clinical evaluation;

c) medical device that are proven to be safe and effective through clinical trials conducted on the same types of medical devices or through analytical evaluation on information obtained from clinical application.

The catalog of medical devices exempted from clinical trials shall be formulated, updated and published by the CFDA. CFDA approval for clinical trial of a Class III medical device is necessary where the clinical trials could pose relatively high risks to human bodies. The catalog of Class III medical devices whose clinical trials are subject to examination and approval shall be formulated, updated and published by the CFDA.

PRODUCTION PERMIT

Pursuant to the Regulations on Supervision of Medical Devices (《醫療器械監督管理條例》), in addition to the required product registration certificates, a producer must obtain a medical device production license from the relevant level of CFDA before commencing the production of Classes II and Class III medical devices. In general, AIC and/or its local branches will not issue a business license to a producer of Classes II and III medical devices before it obtains a medical device production license. Accordingly, a producer will not be able to commence any business operations without a medical device production license. The medical device production license is valid for five years. Where the period of validity for the license needs to be extended upon expiry, the procedures for such extension shall be handled in accordance with the provisions of relevant laws on administrative licensing. Any changes to the contents or particulars stated in the production permit must be reported to the CFDA or its relevant local counterparts. Pursuant to Regulations on Supervision of Medical Devices, if any of the contents stated in the product registration certificate is changed, an application for modification or re-registration of the product registration certificate must be filed with the CFDA or its relevant local counterparts. If there are non-substantive changes of the registered Class II and Class III medical devices which do not affect their safety and effectiveness, registrants shall report to the original registration authorities for records.

Pursuant to the Regulations on Supervision of Medical Devices and the Administrative Measures for the Supervision of the Production of Medical Devices (《醫療器械生產監督管理辦法》) promulgated by CFPA on July 30, 2014 and became effective on October 1, 2014, the establishment of an enterprise engaging in the production of Class I medical devices needs record-filing with the drug administrative authorities at prefecture-level cities. Meanwhile, the establishment of an enterprise engaging in the production of Class II and Class III medical devices is subject to the examination and approval by the drug administration authorities at provincial level, and obtaining a medical device production license. Accordingly, a producer will not be able to commence any business operations without making a filing or obtaining a medical device production license.

GOOD MANUFACTURING PRACTICE FOR MEDICAL DEVICES

CFDA promulgated Administrative Measures for Inspection of Good Manufacturing Practice for Medical Devices (《醫療器械生產質量管理規範》) on December 29, 2014, which became effective on March 1, 2015. The two relevant standards, namely Appendix on Implantable Medical Devices (《醫療器械生產質量管理規範附錄植入性醫療器械》) and Appendix on Sterilized Medical Devices (《醫療器械生產質量管理規範附錄無菌醫療器械》) were issued on December 16, 2009, which became effective on January 1, 2011.

Pursuant to the Administrative Measures for Inspection of Good Manufacturing Practice for Medical Devices, Pharmaceutical Certification Management Center of the CFDA ("**Certification Management Center**") was appointed by the CFDA to conduct quality control inspection of the production of certain Class III medical devices with high risks. For the production of the other Class III medical devices and Class II medical devices, the provincial-level drug administrative authorities are responsible for the quality control inspection. They are also responsible for the inspection formalities on the control of reporting information regarding the quality control inspection of the production of certain high risks Class III medical devices, and the daily supervision and administration of the quality control system of the medical devices production enterprises within their respective administrative regions. Medical devices production enterprises will receive "Notice on the Inspection Results of the Good Manufacturing Practice for Medical

Devices" issued by the CFDA and provincial level drug administrative authorities after inspections, and the possible results of such inspections are "passed", "reassessment after rectification" and "failed". The validity period of "Notice on the Inspection Results of the Good Manufacturing Practice for Medical Devices", if obtained, is four years, and an enterprise shall re-apply for inspection prior to the end of such validity period.

PERMIT FOR MEDICAL DEVICE OPERATION ENTERPRISES

Pursuant to the Regulations on Supervision of Medical Devices (《醫療器械監督管理條例》) and the Administrative Measures for Supervision of the Operation of Medical Devices (《醫療器械經營監督管理辦法》), enterprises engaging in the operations of Class I medical devices are not required to obtain approval or submit a filing. Enterprises engaging in the operations of Class II medical devices are required to file with food and drug administrative authorities at the city level in which the enterprises operate. Enterprises engaging in the operations of Class III medical devices shall apply to the food and drug administrative authorities at the level of city divided into districts in which the enterprises operate for the operation permits.

The term of validity of the permit for medical device operation is five years. Production enterprises of medical devices which continue to engage in the operation of medical devices shall submit applications to the drug administrative authorities which issued the original permit for extension of the permit for medical device operation enterprises at least six months prior to its expiry.

Medical devices production enterprises engaging in the sale of self-produced products are not required to obtain the permit for medical device operation enterprises.

Pursuant to the Regulations on Supervision of Medical Devices (《醫療器械監督管理條例》) and pursuant to the Administrative Measures for Supervision of the Operation of Medical Devices (《醫療器械經營監督管理辦法》), any entity that intends to engage in business operations of medical devices shall satisfy all of the following requirements: (1) it shall have a quality management agency or quality management personnel suitable to its business scope and scale, and such quality management personnel shall have obtained relevant professional academic credentials or titles recognized by the State; (2) it shall have premises for business and storage purposes that are appropriate for its business scope and scale; (3) it shall guarantee storage conditions that are commensurate with its business scope and scale, but is not required to set up any storage warehouse if it entrusts other medical device operators to keep all of its medical devices into storage; (4) it shall have in place appropriate quality management systems that are commensurate with the medical devices operated; and (5) it shall have capacities in professional guidance, technical training and after-sales service that are commensurate with the medial devices operated, or shall have agreed with relevant agencies to receive their technical support. An enterprise engaging in business operations of Class III medical devices shall also have in place the computer information management system that meets certain quality management requirements on the business operations of medical devices to ensure the traceability of the products it sells.

MEDICAL INSURANCE

The Notice of Opinion on the Diagnosis and Treatment Management, Scope and Payment Standards of Medical Service Facilities Covered by the National Urban Employees Basic Medical Insurance Scheme (Lao She Bu Fa [1999] No. 22) (《關於印發城鎮職工基本醫療保險診療項目管理、醫療服務設施範圍和支付標準意見的通知) (勞社部發 [1999] 22號)》) prescribes the coverage of diagnosis and treatment where part of the fees is paid through the basic medical insurance scheme. The basic medical insurance scheme shall cover "artificial organs and materials implanted within human body, including pacemakers, joint prosthesis, intraocular lens, intravascular stents". Our orthopedic implants are categorized as medical materials by the basic medical insurance scheme. According to the current medical insurance scheme in China, the medical fees incurred by patients who have medical insurance will be paid to medical institutions such as hospitals in two portions. Part of the medical fees will be settled by the social insurance management institutions with the State Basic Medical Insurance Funds ("**SBMIF**") pursuant to Rule 29 of the Insurance Law of China (《中華人民共和國社會保險法》), while the remaining will be directly paid to the medical institutions by individuals. The labor protection administration department of each district shall prescribe their own specific ratio of the fees to be paid by the patients. The proportion of reimbursement for medical insurance varies in different parts of China, and such portion of medical fees will be settled directly by the social insurance management institutions with hospitals. Therefore, patients will not be required to make subsequent claims against the insurance institutions.

The settlement of medical fees by social insurance management institutions with hospitals are generally governed by relevant policies of the different parts of China stipulated based on actual local circumstances. Generally, settlement by the social insurance management institutions with hospitals are made on a monthly basis, and the medical institutions shall file the applications for the settlement of medical fees incurred in the previous month accompanied with related materials to the social insurance management institutions before a specified date every month. While social insurance management institutions shall generally complete the review within 15 to 30 working days, and make the payment upon completion of review, certain particular regions such as Chengdu make settlements on a quarterly basis. In addition, the method of payment for medical insurance fees varies from place to place in China.

TENDER PROCESSES FOR MEDICAL DEVICES

We are subject to the regulations on centralized procurement processes. On June 21, 2007, MOH issued the Notice on Further Strengthening the Administration of Centralized Procurement of Medical Devices (《衛生部關於進一步加強醫療器械集中採購管理的通知》), which requires that all non-profit medical institutions under all levels of government and state-owned enterprises participate in the centralized procurement. Public tendering shall be the principal method of centralized procurement.

On November 9, 2009, the National Development and Reform Commission ("**NDRC**") , the MOH and the Ministry of Human Resources and Social Security jointly issued the Notice of Opinion on Reform of Pricing System of Pharmaceuticals and Medical Services (《關於印發改革藥品和醫療服務價格形成機制的意見的通知》), pursuant to which NDRC will strengthen its intervention in the pricing of high-valued medical devices (especially medical implants), limit the profit margins of the supply chain, and periodically announce market price information of medical devices.

On December 17, 2012, the MOH and five other relevant government authorities issued the Administrative Norms on Centralized Procurement of High Value Medical Consumables (for Trial Implementation) (《高值醫用耗材集中採購工作規範(試行)》) to implement the centralized procurement of online high value medical devices (including our orthopedic joint products) which is government-led and is conducted by each province (district and municipality). Each provincial (district or municipal) government is responsible for the establishment of an online regulatory platform for the procurement of medical devices, while public medical institutions as well as operation and production enterprises of medical devices shall purchase through such procurement platform, in order to establish an unified platform and to implement centralized regulation. Each province (district and municipality) is responsible for formulating and preparing a centralized procurement list of high-value medical devices with its administrative region, implementing public tenders and invitational tenders of the medical devices listed on the centralized procurement list as well as conducting procurement in other means stipulated in the Chinese laws and regulations. After the procurement prices are determined, public medical institutions within the relevant regions shall conduct procurement strictly in accordance with the bidding prices. Pursuant to the Tender and Bidding Law (《中華人民共和國招標投標法》) which became effective on January 1, 2000, and the Regulation on the Implementation of the Tender and Bidding Law of China (《中華人民共和國招標投標法實施條例》) which came into effect on February 1, 2012 and was amended on March 1, 2017, the amendment became effective on March 1, 2017, the tender process of medical devices procurement primarily include announcements of tender invitations, preparation and issuance of tender documents, submission of bids made by suppliers, tender opening and tender evaluation, confirmation of successful bidder, issuance of confirmation letter, signing of contract and filing for a record. After the confirmation of the suppliers, the tenderer shall enter into a written contract in accordance with the tender document with the successful bidder. The successful bidder shall not enter into other agreements which will be contrary to the substantive content of the contract.

The government agencies in charge of centralized procurement in each province, autonomous region and municipality are also responsible for producing the catalogs of centralized procurement, which are effective within their respective jurisdictions. Each province may also explore and set its own methods of centralized procurement based on local practices.

BIOMEDICAL RESEARCH INVOLVING HUMAN

The MOH is in charge of the administration of the ethical review of biomedical research involving human in the nationwide and regulates the activities of biomedical research involving human. Pursuant to the Measures for the Ethical Review of Biomedical Research Examination (《涉及人的生物醫學研究倫理審查辦法》) promulgated by the MOH on October 12, 2016, which became effective on December 1, 2016, the biomedical research involving human includes conducting experimental studies by applying new medical technologies or new medical productions to human body, in which case the medical institutions engaged in the biomedical research involving human shall, (1) as the management body, take responsibilities for the examination of such biomedical research (2) establish an ethical committee and (3) take effective measures to procure the ethical committee the conduct the ethical review independently.

THE TWO-INVOICE SYSTEM

In order to implement the Guiding Opinions on Improving the Centralized Drug Procurement for Public Hospitals of the General Office of the State Council (《國務院辦公廳關於完善公立醫院藥品集中採購工作的指導意見》, the 2016 List of Major Tasks in Furtherance of the Healthcare and Pharmaceutical Reforms (《深化醫藥衛生體制改革2016年重點工作任務》) issued by the General Office of the State Council on April 21, 2016 required that the "two-invoice system" (兩票制) (i.e. one invoice between the pharmaceutical manufacturer and the pharmaceutical distributor, and the other invoice between the pharmaceutical distributor and the hospital) should be promoted in pilot provinces involved in the comprehensive medical reform program. On December 26, 2016, the Implementing Opinions on Carrying Out the Two-Invoice System for Drug Procurement among Public Medical Institutions (for Trial Implementation) (《關於在公立醫療機構藥品採購中推行"兩票制"的實施意見(試行)》(the "**Circular**") was issued by eight central government departments, including CFDA. The Circular requires public medical institutions to implement the "two-invoice system" for drug procurements gradually and encourage other medical institutions to promote the same so that such system can be promoted in full swing nationwide in 2018.

Although the Circular does not require medical institutions to implement the "two-invoice system" for medical device procurements, there has been certain provincial authorities promoting similar systems for medical devices. For example in Shaanxi, pursuant to the Circular on Implementation of Two-Invoice System for Drugs and Medical Consumables among Public Medical Institutions in Shannxi Province (《關於在全省公立醫療機構實行藥品和醫用耗材"兩票制"的通知》(陝醫改辦發【2017】4號)) jointly issued by eight governmental departments, including Shaanxi Health and Family Planning Commission and, Shaanxi Food and Drug Administration effective from March 14, 2017, the "two-invoice system" is implemented for drug and medical consumables procurements by public medical institutions from January 1, 2017 in Shannxi Province with a transition period ending on June 30, 2017 to ensure smooth implementation, while other medical institutions are encouraged to promote the system for drug and medical consumables procurement. In Shaanxi province, the "two-invoice system" shall also be implemented to the following 13 categories of high value medical consumables, namely, vascular intervention, orthopedic implants, neurosurgery department, structural heart disease, non-vascular intervention, pacemaker, electrophysiology, anastomat, extracorporeal circulation and blood purification, artificial tissue and organ, hernia repair, oral cavity and ophthalmology.

According to the Circular on Implementation of Two-Invoice System for the Drugs and Medical Consumables 《關於藥品和醫用耗材推行"兩票制"有關事項的通知》(青衛藥械 [2017]5號) issued by the Qinghai Health and Family Planning Commission, Qinghai explicitly implements the "two-invoice system" to drugs and medical devices. The invoice management of the purchase and sales of drugs and medical devices shall be strictly implemented by initiating from the invoice, a way of source control, to ensure the "two-invoice system" being put into force. The drug and medical device production and circulation enterprise which reject to implement the "two-invoice system" shall be punished seriously, and enrolled in the bad records. Where the circumstance is serious, the bidding and distribution qualification will be cancelled.

Pursuant to the Circular on Further Combating Activities of Defrauding Medical Insurance Fund and Infringement the Patients Interests《關於進一步打擊騙取醫療保障基金和侵害患者權益行為的通知》(閩醫保 [2016] 8號) issued by the Fujian Medical Insurance Management Committee, the drugs and medical consumables (import) suppliers and (import) production enterprises or the drugs and medical consumables distribution enterprises reject to implement the "two-invoice system", falsely make out VAT receipts, engage in money laundering by issuing receipt, shall be enrolled in the "black list".

EXPORT REGISTRATION

CFDA maintains a registration system for the export of medical devices. Medical devices manufacturers, including China domestic companies and foreign-invested enterprises, must obtain export registration certificates from the CFDA before exporting any medical device. Pursuant to the "Rules on the Application and Issuance of Medical Device Exporting Certificate" (《醫療器械產品出口證明申辦規定》) promulgated by the CFDA on January 6, 1996, CFDA shall represent the Chinese Government to conduct inspections of safety and legality of the products manufactured by domestic enterprises (including the PRC enterprises, sino-foreign equity joint ventures and foreign-owned enterprises) in accordance with the spirit of the Notice of Guo Ban Fa [94] No. 66 of the State Council, and to grant Exporting Certificate in accordance with the international conventions so as to prove that such products have obtained legitimate production permit within Chinese territory.

LAWS RELATING TO WHOLLY FOREIGN-OWNED ENTERPRISE

The establishment procedures, examination and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation and labor matters of a wholly foreign-owned enterprise are governed by the Wholly Foreign-owned Enterprise Law of China (《中華人民共和國外資企業法》) ("**Wholly Foreign-owned Enterprise Law**"), which was promulgated by the SCNPC and effective as of April 12, 1986, amended on October 31, 2000 and September 3, 2016, and the Implementation Rules for the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法實施細則》), which was promulgated by the Ministry of Foreign Economic Relations and Trade ("**MFERT**") on December 12, 1990 and amended on April 12, 2001 and February 19, 2014 by the State Council. According to the Wholly Foreign-owned Enterprise Law and its Implementation Rules, the establishment of wholly foreign-owned enterprises shall be subject to the examination and approval by the MOFCOM or the Chinese Government at the level of province, autonomous region, municipality directly under the central Chinese Government, municipality separately listed on the State plan or special economic zone, as authorized by the State Council, which will issue a certificate of approval in respect thereof. Where the establishment of wholly foreign-owned enterprises does not involve the implementation of special access administrative measures prescribed by the state, the establishment of wholly foreign-owned enterprises are subject to record-filing management. Profits and other legal rights and interests obtained by foreign investors in China shall be protected by Chinese laws, and legitimate profits, other lawful income and post-liquidation funds received by foreign investors from the wholly foreign-owned enterprises may be remitted abroad.

Investment in China conducted by foreign investors and foreign-owned enterprise shall comply with the Guidance Catalog of Industries for Foreign Investment (2017 Version) (《外商投資產業指導目錄(2017年修訂)》, which was jointly issued by the MOFCOM and the NDRC in 2002, as amended in 2004, 2007, 2011, 2015 and 2017. The current effective Foreign Investment Catalog was issued on June 28, 2017, and came into force on July 28, 2017. The Catalog contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign invested industries and prohibited foreign investment industries. Any industry not listed in the Catalog or any encouraged foreign-invested industry listed in the Catalog is a permitted industry. According to the Guidance Catalog of Industries for Foreign Investment (2017 Version), our business activities that our Group engaged in or are associated with do not fall within the prohibited or the restricted category, which are classified under permitted industry.

The Provisions on Mergers and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) ("**M&A Rules**"), which was jointly promulgated by MOFCOM, CSRC, the State-owned Assets Supervision and Administration Commission of the State Council, State Administration of Taxation, State Administration of Industry and Commerce and SAFE on August 8, 2006, became effective on September 8, 2006 and was amended on June 22, 2009, governs, among other things, the purchase and subscription by foreign investors of equity interests in a domestic enterprise, and the purchase and operation by foreign investors of the assets and business of a domestic enterprise. An offshore special purpose vehicle (the "**SPV**") is defined under the M&A Rules as an offshore entity directly or indirectly controlled by Chinese individuals or enterprises for the purpose of an overseas listing, and the main assets of which are the rights and interests in affiliated domestic enterprises. Under the M&A Rules, if a SPV intends to merge with or acquire any domestic enterprise affiliated with such Chinese individuals or enterprises that control the SPV, the proposed merger or acquisition shall be submitted to the MOFCOM for approval. The M&A Rules also require a SPV to obtain an approval from the CSRC prior to the listing and trading of its securities on an overseas stock exchange.

ENVIRONMENTAL PROTECTION LAWS

We are subject to Chinese environmental protection laws and regulations promulgated by State and local government concerning environmental protection regarding construction projects; use, discharge and disposal of toxic and hazardous materials; and discharge and disposal of waste water, solid waste and waste gases and industrial noise.

Pursuant to the Chinese Environmental Protection Law (《中華人民共和國環境保護法》) ("**Environmental Protection Law**") which was promulgated by the SCNPC on and became effective as of December 26, 1989, and amended on April 24, 2014 and came into force on January 1, 2015, all enterprises and institutions which discharge pollutants shall adopt measures to prevent and control pollution and damage to the environment from waste gas, waste water, waste residues, medical waste, dust, malodorous gases, radioactive substances, noise, vibration, ray radiation and electromagnetic radiation generated in the course of production, construction or other activities. Pollution prevention and control facilities of a construction project shall be simultaneously designed, constructed and put into operation with the principal part of the construction project. Enterprises that manufacture, store, transport, sell, use or dispose of chemicals and materials containing radioactive substances shall comply with the relevant State regulations to prevent environmental pollution. The relevant authorities are authorized to impose various types of penalties on the persons or entities in violation of the environmental regulations, including fines, restriction or suspension of operation, shut-down, detention of office-in-charge, etc.

According to the Regulations on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》) which was promulgated by the State Council on October 2, 2013 and became effective as of January 1, 2014, enterprises, institutions and individual businesses engaging in industrial, construction, catering, medical and other activities shall apply to competent urban drainage authorities for collecting the permit of discharging sewage into drainage pipe networks before discharging sewage into urban drainage facilities. According to the Measures for the Administration of Licenses for Urban Sewage Discharge into Drainage Networks (《城鎮污水排入排水管網許可管理辦法》) which was promulgated by the Ministry of Housing and Urban-Rural Development ("**MHURD**") on January 22, 2015 and became effective as of March 1, 2015, drainage entities shall discharge sewage pursuant to the drainage type, total amount, time limit, position and number of drainage outlets and item and density of discharged pollutants as provided in the drainage permit.

PRODUCT QUALITY AND CONSUMER PROTECTION LAWS

Product Quality

According to the Product Quality Law of China (《中華人民共和國產品質量法》) ("**Product Quality Law**") which was promulgated by the SCNPC on February 22, 1993, became effective as of September 1, 1993 and amended on July 8, 2000 and August 27, 2009, and the last amendment of which became effective as of August 27, 2009, and the Regulations on Quality Responsibility for Industrial Products (《工業產品質量責任條例》) which was promulgated by the State Council on April 5, 1986 and became effective as of July 1, 1986, manufacturers are liable for the quality of products that they produce. The quality of a product must be inspected and proved to be conformed to the standards. Industrial products which may be hazardous to health or safety of human life and property must be in compliance with national and industrial standards safeguarding the health and safety of human life and property; in the absence of such national or industrial standards, such products must meet the requirements for safeguarding the health and safety of human life and property.

The principal legal provisions governing product liability are set out in the Product Quality Law. The Product Quality Law is applicable to all activities of production and sale of any product within the Chinese territory, and the manufacturers and sellers shall be liable for product quality in accordance with the Product Quality Law. According to the Product Quality Law, consumers or other victims who suffer personal injury or property losses due to product defects may demand compensation from the manufacturer as well as the seller. Where the responsibility for product defects lies with the manufacturer, the seller shall, after settling compensation, have the right to recover such compensation from the manufacturer, and vice versa. Violations of the Product Quality Law may result in the imposition of fines. In addition, the seller or the manufacturer may be ordered to suspend operation and its business license may be revoked. Criminal liability may be incurred in serious cases.

Consumer Protection

The principal legal provisions for the protection of consumer interests are set out in the Consumer Protection Law of China (《中華人民共和國消費者權益保護法》) ("**Consumer Protection Law**"), which was promulgated by the SCNPC on October 31, 1993, became effective as of January 1, 1994 and amended on August 27, 2009 and October 25, 2013, and the last amendment of which became effective as of March 15, 2014. According to the Consumer Protection Law, the rights and interests of the consumers who buy, use commodities or receive services for the purposes of daily consumption are protected and all manufacturers and sellers involved must ensure that the products and services will not cause damage to persons and properties. Violations of the Consumer Protection Law may result in the imposition of fines. In addition, the business operator may be ordered to suspend operations and its business license may be revoked. Criminal liability may be incurred in serious cases.

Other Continuing Regulations

a) Administrative Measures for Inspection of Good Manufacturing Practice for Medical Devices requires manufacturers to create, implement and follow certain design, procurement, production management, quality control, sales, monitoring and other quality assurance procedures;

b) Pursuant to Medical Device Recall Management Measures (《醫療器械召回管理辦法》) issued by the CFDA on January 25, 2017 and became effective on May 1, 2017, manufacturers of medical devices shall immediately decide to make a voluntary recall when a defective product was found in defect investigation; and

c) CFDA and its relevant local counterparts impose general prohibition against promoting products for unapproved uses.

INTELLECTUAL PROPERTY LAWS

Trademark Law

According to the Trademark Law of China (《中華人民共和國商標法》) which was promulgated by the SCNPC on August 23, 1982, became effective as of March 1, 1983 and amended on February 22, 1993, October 27, 2001 and August 30, 2013, and the last amendment of which became effective on May 1, 2014, any natural person, legal person or other organization that needs to obtain the exclusive right to use a trademark for its goods or services during production and business operations shall apply for trademark registration with the Trademark Office ("**TMO**"). The principle of good faith shall be upheld in the application for trademark registration and in the use of trademarks. The users of a trademark shall be responsible for the quality of their goods bearing that trademark. A trademark registrant that changes, without authorization of the TMO, the registered trademark, the name or address of the registrant or other registration items during the use of the registered trademark shall be ordered to make correction within the prescribed time period by the relevant local administration for industry and commerce, and the TMO shall cancel its registered trademark if it fails to make correction by the prescribed deadline.

Patent Law

According to the Patent Law of China (《中華人民共和國專利法》) which was promulgated by the SCNPC on March 12, 1984, became effective on April 1, 1985 and amended on September 4, 1992, August 25, 2000 and December 27, 2008, and the last amendment of which became effective as of October 1, 2009, the State Intellectual Property Office under the State Council is responsible for receiving, examining and approving patent applications. A patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation or designs used primarily for the identification of pattern, color or the combination of the two on printed flat works. A patent is valid for a term of 20 years in the case of an invention and a term of 10 years in the case of a utility model or design, starting from the application date. A third party user must obtain consent or a proper license from the patent owner to use the patent except for certain specific circumstances provided by law. Otherwise, the use will constitute an infringement of the patent rights.

LABOR AND SOCIAL PROTECTION

According to the Labor Contract Law of China (《中華人民共和國勞動合同法》) which was promulgated by the SCNPC on June 29, 2007 and became effective as of January 1, 2008 and amended on December 28, 2012, and the amendment of which became effective as of July 1, 2013, employment contracts shall be concluded in writing if employment relationships are to be or have been established between enterprises or institutions and the employees. Enterprises and institutions are forbidden to force the employees to work beyond the statutory time limit and employers shall pay employees for overtime work in accordance with national regulations. In addition, the wages shall not be lower than local standards on minimum wages and shall be paid to the employees timely.

According to the Chinese Labor Law (《中華人民共和國勞動法》) which was promulgated by the SCNPC on July 5, 1994 and became effective as of January 1, 1995 and amended on August 27, 2009, and the amendment of which became effective as of August 27, 2009, enterprises and institutions shall establish and improve their system of work place safety and sanitation, strictly abide by State rules and standards on work place safety, educate laborers of labor safety and sanitation in China. Labor safety and sanitation facilities shall comply with national standards. The enterprises and institutions shall provide laborers with work place safety and sanitation conditions which are in compliance with State stipulations and relevant articles of labor protection.

Pursuant to the Social Insurance Law of China (《中華人民共和國社會保險法》) effective from July 1, 2011, and the Housing Fund Regulation (《住房公積金管理條例》) which was amended and became effective on March 24, 2002, employers in China shall provide their employees with welfare schemes including pension insurance, medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing fund.

TAXATION LAWS

Enterprise Income Tax Law

The Enterprise Income Tax Law of China (《中華人民共和國企業所得税法》) ("**EIT Law**"), which was adopted and promulgated by the National People's Congress ("**NPC**") on March 16, 2007 and became effective as of January 1, 2008 and amended on February 24, 2017, and the amendment of which became effective as of February 24, 2017, imposes a uniform income tax rate of 25% on all enterprises in China (including foreign-invested enterprises). In order to clarify some of the provisions of the EIT Law, the Regulations on the Implementation of the Corporate Income Tax Law of China (《中華人民共和國企業所得税法實施條例》) ("**Implementation Rules**") were promulgated by the State Council on December 6, 2007 and became effective as of January 1, 2008.

According to the EIT Law and the Implementation Rules, certain high and new technology enterprises which have proprietary intellectual property rights and simultaneously meet the prescribed requirements as stipulated in the Implementation Rules and other relevant regulations are permitted to enjoy a reduced EIT rate of 15%.

Value Added Tax Law

Pursuant to the Interim Regulations on Value-added Tax of China (《中華人民共和國增值税暫行條例》) ("**VAT Regulations**") which was promulgated by the State Council on December 13, 1993, became effective as of January 1, 1994 and further amended on November 10, 2008 and February 6, 2016, and the last amendment of which became effective on February 6, 2016, all units and individuals engaging in the sale of goods, provision of processing, repair and fitting services, and importation of goods within the territory of China are taxpayers of value-added tax ("**VAT**"), and shall pay VAT in accordance with the VAT Regulations. According to the VAT Regulations, a VAT tax rate at 13% or 17% applies to the Chinese enterprises unless otherwise exempted or reduced according to the VAT Regulations and other relevant regulations. We currently are subject to the VAT tax rate of 17%.

The Circular on Value-Added Tax and Consumption Tax Policies on Exported Goods and Services (《關於出口貨物勞務增值税和消費税政策的通知》), which was jointly promulgated by the SAT and the MOF on May 25, 2012 and became effective retrospectively as of January 1, 2011, provides for certain VAT exemption, deduction and refund policies: when a manufacturing enterprise is exporting self-produced goods or deemed self-produced goods, or providing outbound processing, repair and fitting services, the relevant VAT shall be exempted, the corresponding input VAT amount shall be deducted from the payable VAT and the remaining portion of such input VAT after the deduction shall be refunded.

CUSTOMS REGULATIONS

According to the Customs Law of China (《中華人民共和國海關法》), which was promulgated by the SCNPC on January 22, 1987, became effective as of July 1, 1987 and amended on July 8, 2000, June 29, 2013, December 28, 2013 and November 7, 2016, the import of goods throughout the period from the time of arrival in the territory of China to the time of customs clearance, the export of goods throughout the period from the time of declaration to the customs to the time of departure from the territory of China, and the transit, transshipment and through-shipment goods throughout the period from the time of arrival in the territory of China to the time of departure from the territory of China shall be subject to customs control.

According to the Provisions of the Customs of China on the Administration of Registration of Customs Declaration Entities (《中華人民共和國海關報關單位註冊登記管理規定》), which was promulgated by the General Administration of Customs ("**GAC**") and became effective as of March 13, 2014, consignors and consignees of imported and exported goods shall undergo customs declaration entity registration formalities with their respective local customs in accordance with the applicable provisions.

FOREIGN EXCHANGE REGULATIONS

The Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), which was promulgated by the SAFE on March 30, 2015 and became effective as of June 1, 2015, adopts the approach of discretional foreign exchange settlement, under which the foreign exchange capital in the capital account of a foreign-invested enterprise for which the foreign-invested enterprise has obtained confirmation by the local SAFE branches regarding the rights and interests of monetary contribution (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of such foreign-invested enterprise. The capital in Renminbi obtained by the foreign-invested enterprise from the discretionary settlement of foreign exchange capital shall be managed under the account pending for foreign exchange settlement payment. The proportion of discretionary settlement of foreign exchange capital is temporarily determined as 100%, subject to the adjustment of the SAFE.

Pursuant to the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**SAFE Circular No. 37**"), promulgated by SAFE and which became effective on July 4, 2014, a Chinese resident, including a Chinese resident natural person or a Chinese legal person, must register with the local SAFE branch before he or she contributes the assets or its equity interests in a special purpose vehicle for the purpose of conducting investment or financing; and following the initial registration, the Chinese resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of a Chinese resident natural person shareholder, name or operating period, or a material event, such as change in share capital of a Chinese resident legal person, merger or split. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties, including the imposition of restrictions on the ability of the Overseas SPV's Chinese subsidiary to distribute dividends to its overseas parent.

OUR HISTORY

The founding of our Group

The history of our Group can be traced back to 2003 when Mr. Li, Mr. Zhang Chaoyang and Mr. Liu Nannan, a business partner of Mr. Li, established AK Medical Beijing to engage in the business of sales and technical development of medical devices using their personal funds from previous employment and previous business activities. At the time of the establishment of AK Medical Beijing, each of Mr. Li, Mr. Zhang Chaoyang and Mr. Liu Nannan held 80%, 10% and 10% of the equity interests in AK Medical Beijing, respectively.

Mr. Liu Nannan subsequently disposed of all his equity interests to certain independent third parties and ceased to be involved in the operation of AK Medical Beijing in early 2007 due to personal reasons while Mr. Li and Mr. Zhang Chaoyang have continued their involvement with our Group. As of the Latest Practicable Date, Mr. Li is the chairman of our Board, an executive Director, our Chief Executive Officer and one of our Controlling Shareholders while Mr. Zhang Chaoyang is an executive Director and a senior vice president of our Company. Please see "Directors and Senior Management" for the background and industry experience of Mr. Li and Mr. Zhang Chaoyang. As of the Latest Practicable Date, Mr. Liu Nannan was an independent third party.

OUR MILESTONES

The following is a summary of our Group's key development milestones:

Year	Events
2003	AK Medical Beijing was established in China.
2004	Our first generation of knee replacement implant "AK KNEE" series were launched.
2005	Our first generation of hip replacement implant "A" series were launched.
2007	Our second generation of hip replacement implant "M" series were launched.
2008	Our second generation of knee replacement implant "JPX" series were launched.
2009	Our hip replacement implant for revision surgeries "AK-MR", "AK-SR" and "AK-SL" series had been launched in turn since 2009.
2012	Our first generation of knee replacement implant for revision surgeries "ACCK" was launched. Our third generation of knee replacement implant "A3" series were launched.
2013	We obtained the Beijing Food and Drug Administration registration certificate for our 3D-printed surgical guide.
2014	We launched our "3D ACT" solutions, which offers personalized solutions to assist surgeons in simulating and planning for implant surgeries.
2015	We obtained the CFDA registration certificate for our 3D-printed hip implant product, the first 3D-printed metal orthopedic implant in China that has been tested by clinical trials. We launched our CFDA-approved hip replacement implant with the fourth generation composite ceramics-highly crosslinked polyethylene friction interface and we were the first China-based orthopedic joint implant company obtaining such approval according to the CFDA. We were recognized as the Engineering Technology Research Center for 3D Printing Orthopedic Application (3D打印骨科應用工程技術研究中心) by Beijing Municipal Science and Technology Commission (北京市科學技術委員會).
2016	We obtained the CFDA registration certificates for 3D-printed artificial vertebral bodies and spinal interbody cages, and entered into the spine replacement implant market.
2017	We entered into a five-year strategic cooperation with Peking University Third Hospital and strengthened our capabilities in 3D-printed replacement implants.

CORPORATE DEVELOPMENT

The following describes the corporate history of our Company and our subsidiaries.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on July 17, 2015 with an initial authorized share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. It is the holding company of our subsidiaries and its principal business activity is investment holding. As of the Latest Practicable Date, the allotted and issued Shares in our Company were held, assuming all Series A Preferred Shares are converted into Ordinary Shares, as to 78.021% by Ximalaya, 10% by OrbiMed Asia, 8.991% by Suntop, 1.638% by Sanbao and 1.350% by Summer. See "—Reorganization—(1) Incorporation of the Offshore Holding Vehicles—Incorporation of Our Company", "—Reorganization—(4) Subscription of Shares in Our Company", "—Reorganization—(5) Reclassification and Re-designation of Ordinary Shares and Series A Preferred Shares in Our Authorized Share Capital" and "—Reorganization—(6) Stage 2 of the Pre-IPO Investment and Transfer of 100% of Shares of Bright AK HK to AK Medical BVI" for further details regarding the changes in the authorized and issued share capital of our Company.

As a result of the Reorganization, our Company indirectly holds all the equity interests in our subsidiaries, which are principally engaged in designing, developing, producing and marketing orthopedic implants and related products, with a focus on hip and knee replacement implants. See "—Reorganization" for further details.

Our BVI and Hong Kong Subsidiaries

AK Medical BVI

AK Medical BVI was incorporated in BVI with limited liability on July 21, 2015 and was authorized to issue a maximum of 50,000 shares of US$1.00 each. AK Medical BVI is an investment holding company which directly holds all the issued shares in AK Medical HK and Bright AK HK.

As a result of the Reorganization, AK Medical BVI became wholly owned by our Company. See "—Reorganization—(1) Incorporation of the Offshore Holding Vehicles—Incorporation of the Intermediate Holding Companies of Our Group" for further details.

AK Medical HK

AK Medical HK was incorporated in Hong Kong on July 28, 2015 as a limited liability company, the share capital of which is in the total amount of HK$1 with one issued ordinary share. AK Medical HK is an investment holding company which directly holds 90% of the equity interests in AK Medical Beijing.

As a result of the Reorganization, AK Medical HK became wholly owned by AK Medical BVI. See "—Reorganization—(1) Incorporation of the Offshore Holding Vehicles—Incorporation of the Intermediate Holding Companies of Our Group" for further details.

Bright AK HK

Bright AK HK was incorporated in Hong Kong on July 7, 2015 as a limited liability company, the initial share capital of which was in the total amount of HK$10,000 with 100 issued ordinary shares held by OrbiMed Asia as of its incorporation. Bright AK HK is an investment holding company which directly holds 10% of the equity interests in AK Medical Beijing.

On February 26, 2016, a board resolution of Bright AK HK was passed whereby OrbiMed Asia, the then sole shareholder of Bright AK HK, confirmed and agreed to make a capital contribution by way of capitalizing an aggregate sum of HK$16,650,000 (equivalent to approximately RMB13,991,597) due by Bright AK HK to OrbiMed Asia at the time. The capital contribution was satisfied by way of a set-off of such loan without allotment and issue of any new shares. Such entire amount was credited to the share capital of Bright AK HK. As a result of the above capital contribution and as of the Latest Practicable Date, the share capital of Bright AK HK was in the total amount of HK$16,660,000.

As a result of the Reorganization, Bright AK HK became wholly owned by AK Medical BVI. See "—Pre-IPO Investment" and "—Reorganization—(6) Stage 2 of the Pre-IPO Investment and Transfer of 100% of Shares of Bright AK HK to AK Medical BVI" for further details.

Our Chinese Subsidiaries

AK Medical Beijing

AK Medical Beijing was established in China on May 8, 2003 as a limited liability company with an initial registered capital of RMB1,000,000. AK Medical Beijing is principally engaged in designing, developing, producing and marketing orthopedic implants and related products.

As of January 1, 2014, the commencement date of the Track Record Period, the registered capital of AK Medical Beijing had been increased to RMB34,000,000 which was held by Mr. Li, Mr. Zhang Chaoyang, Liang Chuan, Mr. Yin Keqiang, Ms. Zhang Bin, Ms. Li Huijiang, Ms. Zhao Xiaohong, Mr. Qi Yajun, Ms. Wang Caimei, Ms. Liu Aiguo and Mr. Zhang Weiping as to 78.11%, 9.99%, 7%, 2.34%, 1.5%, 0.29%, 0.29%, 0.15%, 0.15%, 0.15% and 0.03%, respectively.

Mr. Yin Keqiang was an independent third party as of the Latest Practicable Date and disposed of all of his 2.34% equity interest in AK Medical Beijing in January 2014. For further details regarding Liang Chuan, see "—Investment and Divestment by Liang Chuan".

The registered capital of AK Medical Beijing was further increased from RMB34,000,000 to RMB50,000,000, from RMB50,000,000 to RMB55,555,555, and from RMB55,555,555 to RMB100,000,000 pursuant to the shareholders' resolutions of AK Medical Beijing passed on March 31, 2015, July 30, 2015 and December 23, 2015, respectively.

As a result of the Reorganization, AK Medical Beijing became an indirect wholly-owned subsidiary of our Company held as to 90% by AK Medical HK and 10% by Bright AK HK. See "—Reorganization—(3) Transfer of 90% of Equity Interests in AK Medical Beijing to AK Medical HK" for further details.

Our PRC Legal Advisor confirms that the registered capital of AK Medical Beijing in the amount of RMB100,000,000 has been fully paid up.

AK Medical XMKS

AK Medical XMKS was established in China on July 24, 2007 as a limited liability company with an initial registered capital of RMB500,000. AK Medical XMKS is principally engaged in sales of orthopedic implant products.

On December 16, 2009, AK Medical Beijing entered into an equity transfer agreement with each of the then shareholders of AK Medical XMKS, Mr. Li and Mr. Li Lijun, the brother of Mr. Li and an ex-employee of AK Medical Beijing, pursuant to which Mr. Li and Mr. Li Lijun agreed to transfer 80% and 20% of the equity interests in AK Medical XMKS to AK Medical Beijing at the consideration of RMB400,000 and RMB100,000, respectively. Such consideration was determined with reference to the then registered capital of AK Medical XMKS. The aforesaid transfer was registered by the competent Chinese government authority on December 28, 2009. As a result of the aforesaid transfer, AK Medical XMKS became a wholly-owned subsidiary of AK Medical Beijing.

Our PRC Legal Advisor confirms that the registered capital of AK Medical XMKS in the amount of RMB500,000 has been fully paid up.

AK Medical Changzhou

AK Medical Changzhou was established in China on March 28, 2016 as a limited liability company with a registered capital of US$12,500,000. AK Medical Changzhou is principally engaged in producing and marketing orthopedic implants and related products. AK Medical Changzhou is wholly owned by AK Medical HK, our wholly-owned subsidiary.

The registered capital of AK Medical Changzhou was increased from US$12,500,000 to US$13,200,000 pursuant to the shareholders' resolutions of AK Medical Changzhou passed on December 20, 2016.

Our PRC Legal Advisor confirms that the registered capital of AK Medical Changzhou in the amount of US$1,545,582 has been paid up.

INVESTMENT AND DIVESTMENT BY LIANG CHUAN

Investment

On April 30, 2010, a shareholders' resolution of AK Medical Beijing was passed to convert AK Medical Beijing from a limited liability company into a joint stock limited liability company pursuant to the Chinese laws and regulations and its name was changed from 北京愛康宜誠醫療器材有限公司 to 北京愛康宜誠醫療器材股份有限公司, with a registered capital of RMB13,000,000 divided into 13,000,000 shares of nominal value of RMB1.00 each.

In contemplation of the A-Share Listing Application (as defined below) by AK Medical Beijing, a pre-IPO investor in AK Medical Beijing was introduced. For further details of the A-Share Listing Application, see "—Application for Listing of A Shares". On May 26, 2010, a capital increase and subscription agreement (the "**Liang Chuan Investment Agreement**") was entered into between AK Medical Beijing, Beijing Liang Chuan Investment Consulting Limited ("**Liang Chuan**") and the then shareholders of AK Medical Beijing, namely Mr. Li, Mr. Zhang Chaoyang and Mr. Yin Keqiang. Liang Chuan invested RMB21,000,000 into AK Medical Beijing to obtain 1,444,444 shares of nominal value of RMB1.00 each, representing 10% of its enlarged registered capital of RMB14,444,444 at the time.

The consideration of RMB21,000,000 was determined after arm's length negotiation between the parties and with reference to the then financial condition and business prospect of AK Medical Beijing. Such consideration was fully paid up by June 23, 2010.

On July 17, 2010, the shareholders of AK Medical Beijing passed a resolution to capitalize the amount of RMB19,555,556 in the share premium account of AK Medical Beijing and accordingly 19,555,556 shares at nominal value of RMB1.00 each were issued and allotted pro-ratedly to all the shareholders of AK Medical Beijing. As a result, Liang Chuan was issued and alloted with 1,955,556 shares at a nominal value of RMB1.00 each and held 3,400,000 shares, representing 10% of its enlarged registered capital of RMB34,000,000 at the time. The average investment price paid by Liang Chuan was approximately RMB6.18 per share. The proceeds from the investment by Liang Chuan were used for general corporate purposes and have been fully utilized.

Liang Chuan, a limited liability company established under the Chinese laws, was principally engaged in investment consulting at the relevant time. Liang Chuan was owned by Ms. Liu Hongyan as to 50%, Mr. Liu Shibin as to 30% and Mr. Liu Jiang as to 20% at the material time. Each of Liang Chuan and its beneficial owners was an independent third party as of the Latest Practicable Date.

Special Rights

Under the Liang Chuan Investment Agreement, the following special rights were granted by AK Medical Beijing to Liang Chuan:

Director appointment right: Liang Chuan was entitled to appoint one director to the board of directors of AK Medical Beijing, which shall comprise 5 directors.

Information right: Liang Chuan has the right to receive AK Medical Beijing's financial reports and other information regarding its operation, business and financial condition.

Pre-emptive right: Liang Chuan has a right of first refusal to purchase up to a pro rata share of any new securities to be issued by AK Medical Beijing (other than any new securities to be issued to the management of AK Medical Beijing of not more than 3% of the total enlarged registered capital).

Adjustments of Shareholding

At or around the fourth quarter of 2010, AK Medical Beijing was in the process of formulating an employee share award scheme to reward and recognize the contribution of certain key employees including senior management members of AK Medical Beijing.

After various arm's length commercial negotiations among the then shareholders of AK Medical Beijing, taking into account of (i) the comparatively low valuation of AK Medical Beijing enjoyed by Liang Chuan at the time of its investment by reference to the expected valuation to be achieved upon the A-Share Listing (as defined below) in view of the business prospect of AK Medical Beijing; (ii) the benefit to Liang Chuan as a shareholder in incentivising the key employees by way of the share award scheme; and (iii) the harmony among the shareholders of AK Medical Beijing, Liang Chuan agreed to make a contribution to the said employee share award scheme by disposing of 3% shareholding interest in AK Medical Beijing to each of Mr. Wu Boyang as to

0.15%, Mr. Yang Ning as to 0.29%, Ms. Wang Caimei as to 0.15%, Mr. Zhang Weiping as to 0.03%, Ms. Zhao Xiaohong as to 0.29%, Mr. Qi Yajun as to 0.15%, Ms. Li Huijiang as to 0.29%, Ms. Liu Aiguo as to 0.15% and Ms. Zhang Bin as to 1.50% at the consideration of RMB200,000, RMB400,000, RMB200,000, RMB40,000, RMB400,000, RMB200,000, RMB400,000, RMB200,000 and RMB2,040,000, respectively. Each of the above transferees, who were senior management members of AK Medical Beijing at the relevant time, entered into an equity transfer agreement with Liang Chuan on various dates between January 8, 2011 to January 20, 2011 for the above transfers.

The average disposal price by Liang Chuan was RMB4.00 per share. Such disposal price was settled on various dates between January 13, 2011 to January 25, 2011. Although the average disposal price was lower than the average investment price of Liang Chuan of RMB6.18 per share, such consideration was determined after arm's length commercial negotiations between the parties. After making the aforesaid contribution, Liang Chuan's average investment price was adjusted from approximately RMB6.18 per share to approximately RMB7.11 per share, representing an increase of approximately 15%. The aforesaid transfers were approved by the general meeting of shareholders on January 20, 2011.

Divestment

As the A-Share Listing Application was aborted by AK Medical Beijing, Liang Chuan decided to divest its investment in AK Medical Beijing.

On March 12, 2014, Liang Chuan and Mr. Li entered into an equity transfer agreement, pursuant to which Liang Chuan agreed to dispose of 4% shareholding interest in AK Medical Beijing to Mr. Li at the consideration of RMB13,299,100. The average disposal price by Liang Chuan was approximately RMB9.78 per share, which was higher than Liang Chuan's average investment price of approximately RMB7.11 per share and represented an investment gain of approximately 37.55% (without taking into account of the dividend received).

In arriving at the above disposal price, the parties took into account of the following factors: (i) the original investment amount for this 4% shareholding interest of approximately RMB9,668,600 (at RMB7.11 per Share); (ii) the premium in the amount of RMB3,630,500 represented by the difference between the disposal price and the original investment amount; (iii) the total amount of dividend of approximately RMB2,284,800 paid by AK Medical Beijing to Liang Chuan attributable to this 4% shareholding interest for the period from the time of its investment and up to March 2014; (iv) Liang Chuan had been holding this 4% shareholding interest for approximately 3.5 years from the time of its investment and the expected investment return for such period; and (v) Mr. Li, being a founder, the chairman and the single largest shareholder of AK Medical Beijing, was the best choice for Liang Chuan at the relevant time as a buyer, in view of Mr. Li's sufficient financial resource and knowledge of the business prospect of AK Medical Beijing as compared to other independent third parties. The disposal price of RMB9.78 per share was arrived at after due consideration of these factors and after arm's length commercial negotiations and was considered by the parties as fair and reasonable having regard to the then financial condition and business prospect of AK Medical Beijing. Such consideration was settled on April 1, 2014. The aforesaid transfer was approved by the general meeting of shareholders on March 12, 2014.

On June 30, 2015, Liang Chuan and Ms. Liu Hongyan entered into an equity transfer agreement, pursuant to which, Liang Chuan agreed to dispose of 3% shareholding interest in AK Medical Beijing to Ms. Liu Hongyan at the consideration of RMB7,000,000, which was settled on July 22, 2015. The average disposal price by Liang Chuan was approximately RMB6.86 per share, which was lower than Liang Chuan's average investment price of approximately RMB7.11 per share and represented a discount of 3.52% (without taking into account of the dividend received). Ms. Liu Hongyan was the sole shareholder, chairman and legal representative of Liang Chuan at the relevant time.

The above transaction was effected between related parties, namely Liang Chuan and Ms. Liu Hongyan, who was the sole shareholder, chairman and legal representative of Liang Chuan at the relevant time. To our best knowledge, the transaction was a transfer between two related parties and a lower disposal price was agreed between the said related parties. None of the members of our Group and none of our Directors, senior management or their respective associates was involved in this transfer of 3% shareholding interest in AK Medical Beijing. The aforesaid transfer was approved by the general meeting of shareholders on June 30, 2015.

On July 6, 2015, pursuant to an equity transfer agreement, Ms. Liu Hongyan agreed to dispose of 3% shareholding interest in AK Medical Beijing to each of Mr. Li as to 2.24%, Ms. Li Huijiang as to 0.30%, Ms. Zhao Xiaohong as to 0.26% and Mr. Qi Yajun as to 0.20% at the consideration of RMB31,360,000, RMB4,200,000, RMB3,640,000 and RMB2,800,000, respectively. The average disposal price by Ms. Liu Hongyan was approximately RMB41.18 per share, which was higher than Liang Chuan's average investment price of approximately RMB7.11 per share and represented an investment gain of 479.18% (without taking into account of the dividend received).

Such consideration was determined after an arm's length negotiation between Ms. Liu Hongyan and Mr. Li and other shareholders with reference to (i) the original investment amount for this 3% shareholding interest of Liang Chuan of approximately RMB7,251,400 (at RMB7.11 per share); (ii) the average disposal price of the entire 7% shareholding interest of Liang Chuan in AK Medical Beijing of approximately RMB23.23 per share (without taking into account of the contribution of 3% shareholding interest by Liang Chuan to the employee share award scheme in 2011 and the transfer of shareholding interest in AK Medical Beijing from Liang Chuan to Ms. Liu Hongyan); (iii) the total amount of dividend of approximately RMB3,753,600 paid by AK Medical Beijing to Liang Chuan attributable to this 3% shareholding interest for the period from the time of its investment and up to July 2015; (iv) the projected earnings of the Group for 2015; (v) the price to earnings ratios for other comparable companies; (vi) the financial resources available to Mr. Li and the other shareholders; and (vii) the then financial condition and business prospect of AK Medical Beijing. The parties believed that the disposal price for this 3% shareholding interest in AK Medical Beijing had given Liang Chuan a decent investment return. The consideration was settled on various dates between July 15, 2015 to October 12, 2015. The aforesaid transfers were approved by the general meeting of shareholders on July 6, 2015. Following the completion of the above transfers, Liang Chuan has ceased to be a shareholder of AK Medical Beijing and Liang Chuan no longer enjoys any of the special rights afforded to it under the Liang Chuan Investment Agreement. As a result, AK Medical Beijing was owned as to 86.69% by Mr. Li, 9.99% by Mr. Zhang Chaoyang, 1.50% by Ms. Zhang Bin, 0.59% by Ms. Li Huijiang, 0.55% by Ms. Zhao Xiaohong, 0.35% by Mr. Qi Yajun, 0.15% by Ms. Wang Caimei, 0.15% by Ms. Liu Aiguo and 0.03% by Mr. Zhang Weiping.

On July 9, 2015, AK Medical Beijing passed a shareholders' resolution to convert AK Medical Beijing from a joint stock limited liability company into a limited liability company into pursuant to the Chinese laws and regulations and its name was changed from 北京愛康宜誠醫療器材股份有限公司 to 北京愛康宜誠醫療器材有限公司.

The aggregate consideration of Liu Hongyan's disposal of 3% shareholding interest in AK Medical Beijing was RMB42,000,000, which translates to a valuation of AK Medical Beijing at RMB1,400,000,000. AK Medical Beijing is a wholly-owned subsidiary of the Company, the revenue of which in 2015 was RMB198.6 million and represented more than 96% (including RMB3.76 million intra-group sales, being revenue from AK Medical XMKS, which represented approximately 2%) of the revenue of the Group in 2015. On the same day when the equity transfer agreement with respect to the aforesaid disposal was entered into, OrbiMed Asia entered into the Pre-IPO Investment Framework Agreement to subscribe for new Shares of the Company representing 10% of the enlarged share capital of the Company for RMB140,000,000, which translates to a post-money valuation of the Company at RMB1,400,000,000. It should be noted that having regard to the net profits of the Group as of December 31, 2015 of approximately RMB64,907,000, RMB1,400,000,000 represents approximately 21.6 times of AK Medical Beijing's 2015 earnings.

The following table summarizes details of the aforesaid disposal and the Pre-IPO Investment:

	Entity	% shares	Consideration	Implied Post-money Equity Value (Note 2)	Implied Pre-money Equity Value (Note 3)
		A	B (RMB)	= B/A (RMB)	= (B/A) – B (if B is consideration for newly issued shares) (RMB)
The Disposal . .	AK Medical Beijing	3% ***(Note 1)***	42.0 million	1.40 billion ***(Note 4)***	1.40 billion ***(Note 4)***
The Pre-IPO Investment . .	The Company	10% of the enlarged share capital	140.0 million	1.40 billion ***(Note 5)***	1.26 billion ***(Note 5)***

Notes:

1. For illustrative purpose only, the 3% equity interest in AK Medical Beijing represented 2.7% of the issued share capital of the Company as if enlarged by the Pre-IPO Investment (if it were not disposed), which is worth RMB37,800,000 (RMB1.4 billion × 2.7%) only, if calculated by using the valuation of the Company after the completion of the Pre-IPO Investment. Accordingly, Mr. Li and other shareholders admitted that when compared to the Pre-IPO Investment, they paid a premium of approximately RMB4.2 million to Liu Hongyan for the 3% equity interest in AK Medical Beijing.

2. A ***pre-money valuation*** is a term widely used in private equity or venture capital industries, referring to the valuation of a company or asset prior to an investment or financing. If an investment adds cash to a company, the company will have different valuations before and after the investment. The pre-money valuation refers to the company's valuation before the investment.

3. A ***post-money valuation*** is the value of a company after an investment has been made. This value is equal to the sum of the pre-money valuation and the amount of new equity.

4. By referring to the meanings of the ***pre-money valuation*** and the ***post-money valuation*** above, in the course of the aforesaid disposal, no new money was injected, accordingly, the ***pre-money valuation*** and the ***post-money valuation*** were the same.

5. The ***post-money valuation***, being RMB1.40 billion, equals to the sum of the ***pre-money valuation***, being RMB1.26 billion, and the investment, being RMB140 million.

Liu Hongyan and OrbiMed Asia are parties independent of each other. The negotiations of Liu Hongyan's disposal of 3% shareholding interest in AK Medical Beijing were held separately and independently of OrbiMed Asia's negotiation with the Company on the terms of the Pre-IPO Investment.

The disposal price agreed with Liu Hongyan was reached after an arm's length negotiation between herself and Mr. Li and other shareholders as stated above. The parties did not consider at the time (and it was not Liu Hongyan's concern) whether RMB1,400,000,000 represented a pre-money or post-money valuation.

The Company's negotiation with OrbiMed Asia also took place on an arm's length basis as stated in "—Pre-IPO Investment—Summary of Material Terms". The Company agreed that OrbiMed Asia shall subscribe for its new shares representing 10% of the enlarged share capital for RMB140,000,000.

The Company is of the view that the difference between the disposal price of Liu Hongyan's disposal of 3% shareholding interest in AK Medical Beijing and the subscription price for the Pre-IPO Investment is insignificant. At the time the Company negotiated the valuation of the Group with OrbiMed Asia, it was on the basis that RMB140,000,000 was to be paid on a post-money valuation basis, i.e. the pre-money valuation of the Group would be RMB1,260,000,000.

This translates to Mr. Li and other shareholders paying a premium of approximately RMB4.2 million (= (RMB1.40 billion – RMB1.26 billion) x 3%) for Liu Hongyan's shares in AK Medical Beijing over the pre-money valuation of the Group in respect of OrbiMed Asia's investment.

APPLICATION FOR LISTING OF A SHARES

On March 29, 2011, AK Medical Beijing filed with the CSRC an application (the "**A-Share Listing Application**") for listing of its shares on the ChiNext Board of the Shenzhen Stock Exchange (the "**A-Share Listing**"), which was sponsored by a sponsor institution duly licensed in China (the "**A-Share Sponsor**"), to raise capital. The CSRC formally accepted the A-Share Listing Application for review on April 6, 2011 and AK Medical Beijing received comments from the CSRC on June 7, 2011. In addition to certain comments that requested AK Medical Beijing to elaborate the disclosure in the draft prospectus submitted to CSRC in connection with the A-Share Listing Application, in which no material corporate governance, internal control or legal compliance concern was involved, the CSRC queried (1) the background and underlying reason for the sale of shares in AK Medical Beijing by Liang Chuan, a shareholder of AK Medical Beijing at the time, to nine individuals in January 2011 at a price lower than its original subscription price in June 2010, (2) the non-compliance with respect to our lease of collectively-owned land for tool manufacturing in Yanxu Industry and Trade Park, Habatun, Changping District, Beijing, and (3) the reason for the use of a financial manager's personal bank accounts to receive a small portion of payments made by our distributors between 2009 and 2011. See "History, Reorganization and Development—Investment and Divestment By Liang Chuan—Adjustments of Shareholding" for further details on the sales of shares by Liang Chuan in 2011, "Our Business—Properties—Leased Properties" for further details on the lease of collectively-owned land and "Our Business—Internal Control" for further details on the use of individual's bank accounts. AK Medical Beijing submitted responses on January 30, 2012 and supplemental information in relation to the updated financial information subsequently. The CSRC raised no further written comments or enquiries thereafter.

In the second half of 2011, AK Medical Beijing improved its internal control over cash management and financial reporting by terminating the practice of using a financial manager's personal bank accounts to receive a small portion of payments from distributors instead of the bank account of AK Medical Beijing. The practice of using personal bank accounts of employees to receive payments from distributors was completely terminated prior to the Track Record Period. AK Medical Beijing had been monitoring its internal control procedures to ensure the effectiveness of the improved internal control over cash management and financial reporting. Considering the then market condition and in order to leave sufficient time for validating the improved internal control, AK Medical Beijing submitted an application to the CSRC to withdraw the A-Share Listing Application on April 13, 2012. The A-Share Listing Application was not rejected or returned by the CSRC.

On April 26, 2012, the CSRC issued a notification to AK Medical Beijing (the "**CSRC Notification**") to terminate the review process of the A-Share Listing Application on the basis of the voluntary withdrawal of the A-Share Listing Application by AK Medical Beijing. AK Medical Beijing's engagement with each advisor for the A-Share Listing Application ceased following the withdrawal of the A-Share Listing Application. Each of the A-Share Sponsor and the reporting accountants involved in the A-Share Listing Application has confirmed to our Company that it had no disagreement with AK Medical Beijing or any other advisor that was involved in the A-Share Listing Application, and that no matter would be required to be brought to the attention of our Company with respect to the withdrawal of the A-Share Listing Application and the CSRC Notification.

With respect to the foregoing CSRC comments, as:

(i) the material background and reason for the sale of shares in AK Medical Beijing by Liang Chuan to nine individuals in January 2011 have been disclosed in this prospectus;

(ii) the non-compliance with respect to our lease of collectively-owned land for tool manufacturing in Yanxu Industry and Trade Park, Habatun, Changping District, Beijing and the relevant risk have been disclosed in this prospectus, and we have also formulated a contingency plan which is disclosed in this prospectus;

(iii) the reason for the use of a financial manager's personal bank accounts to receive a small portion of payments made by our distributors between 2009 and 2011 have been disclosed in this prospectus; and

(iv) we have ceased to use personal bank accounts of employees to receive payments from distributors since the termination of the practice prior to the Track Record Period. Based on the Sole Sponsor's due diligence investigations on this practice of using personal bank accounts during the Track Record Period, including discussions with us and our internal control consultant and reviewing documents and reports with respect to our internal control measures, the Sole Sponsor is of the view that we have established reasonable internal procedures, systems and controls in this regard,

the Sole Sponsor confirms that nothing has come to its attention that any of the abovementioned CSRC comments has not been properly addressed or rectified by us. On this basis, the Sole Sponsor confirms that nothing has come to its attention from the A-Share Listing Application that might materially and adversely affect our Company's suitability for the Listing or the accuracy of the information disclosed in this prospectus.

PRE-IPO INVESTMENT

Introduction

On July 6, 2015, in view of the business prospects of our Group, OrbiMed Asia entered into the Pre-IPO Investment Framework Agreement with AK Medical Beijing, AK Medical XMKS and the shareholders of AK Medical Beijing at the time, including Mr. Li, Mr. Zhang Chaoyang, Ms. Zhang Bin, Ms. Li Huijiang, Ms. Zhao Xiaohong, Mr. Qi Yajun, Ms. Wang Caimei, Ms. Liu Aiguo and Mr. Zhang Weiping, pursuant to which OrbiMed Asia agreed to effect the following:

(a) Stage 1: subscribe at the consideration of the U.S. dollars equivalent of RMB14,000,000 for the increase of AK Medical Beijing's registered capital in the amount of RMB5,555,555 (with the balance being contributed to the capital reserve of AK Medical Beijing); and

(b) Stage 2: subscribe for the Series A Preferred Shares representing 10% of the issued share capital of our Company on a fully converted basis at an aggregate consideration to be paid in the form of (i) cash contribution to our Company in the U.S. dollar equivalent of RMB126,000,000; and (ii) transfer of 100% of the shares in Bright AK HK held by OrbiMed Asia to AK Medical BVI.

OrbiMed Asia, our Group and our then Shareholders entered into the Pre-IPO Investment Transaction Documents to give effect to the foregoing, including (1) the AK Medical Beijing Capital Increase Agreement dated July 30, 2015 to give effect to Stage 1 of the Pre-IPO Investment, (2) the Series A Preferred Share Purchase Agreement dated December 18, 2015 to give effect to Stage 2 of the Pre-IPO Investment, and (3) the Pre-IPO Investment Shareholders Agreement dated February 29, 2016.

For further details of the AK Medical Beijing Capital Increase Agreement and the Series A Preferred Share Purchase Agreement, see "—Reorganization—(2) Stage 1 of the Pre-IPO Investment and Capital Increase of AK Medical Beijing", "—Reorganization—(5) Reclassification and Re-designation of Ordinary Shares and Series A Preferred Shares in Our Authorized Share Capital" and "—Reorganization—(6) Stage 2 of the Pre-IPO Investment and Transfer of 100% of Shares of Bright AK HK to AK Medical BVI".

On February 26, 2016, OrbiMed Asia, our Group and our then Shareholders entered into the Letter Agreement to remove a condition precedent to the closing of the Pre-IPO Investment, namely Ximalaya to advance a shareholder's loan in the amount of RMB80,000,000 to our Group, as additional time was required for Ximalaya to arrange the funding for such shareholder's loan. See "—Reorganization—(3) Transfer of 90% of Equity Interests in AK Medical Beijing to AK Medical HK" for further details.

Summary of Material Terms

The following table sets forth a summary of the material terms of the Pre-IPO Investment:

Name and Information of the Pre-IPO Investor	:	OrbiMed Asia, which is an exempted limited partnership registered under the laws of the Cayman Islands. The general partner of OrbiMed Asia is OrbiMed Asia GP II, L.P., whose general partner is OrbiMed Advisors II Limited, of which none of its shareholders held 10% or more of its shares. OrbiMed Asia focuses on medical and healthcare investments and the limited partners include OrbiMed Healthcare Investments Trust, Asian Development Bank, Cathay Life Insurance Co., Ltd., Merck Global Health Innovation Fund, LLC and NEIPF, LP. Apart from its shareholding in our Company and apart from Dr. Wang David Guowei, our non-executive Director, who is one of the directors and one of the shareholders (holding less than 10% shareholding) in OrbiMed Advisors II Limited, OrbiMed Asia is an independent third party and has no other relationship with our Group or any core connected person of our Company.
Number of Series A Preferred Shares subscribed	:	10,000
Amount of consideration paid	:	U.S. dollar equivalent of RMB140,000,000 (i.e. US$21,561,872.3)
Basis of determination of the consideration	:	Based on an arm's length negotiation between the parties after taking into consideration the assessed value of the Company, the projected earnings of the Group for 2015, the price to earnings ratio for other comparable companies, the size of OrbiMed Asia's investment, the Company's intention to introduce a well-known financial investor in the medtech field and the fact that the monies have been paid to the Company by the financial investor, the financial information of our Group, the timing of the subscription and the illiquidity of our Shares as a private company when the Series A Preferred Share Purchase Agreement was entered into.
Date of payment of full consideration	:	February 29, 2016

Cost per Share paid under the Pre-IPO Investment	:	Approximately HK$2.24, calculated on the basis of 75,000,000 Shares to be held by OrbiMed Asia upon completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-Allotment Option or the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme)
Premium to the Offer Price	:	Approximately 22.40%, calculated on the basis of the Offer Price of HK$1.83, the mid-point of the proposed range of the Offer Price
Use of proceeds and whether they have been fully utilized	:	The proceeds from the Pre-IPO Investment have been and will be used for (i) construction of the Changzhou Facilities; (ii) purchase of 3D-printing machines; (iii) expansion of production capacity by purchase of production facilities; (iv) purchase of R&D equipment and software; (v) Listing expenses; and (vi) general working capital for our Group. As of the Latest Practicable Date, the proceeds have not been fully utilized.
Strategic benefits	:	Our Directors are of the view that our Company could benefit from the additional capital provided by OrbiMed Asia's investment in our Company and the our Company could also leverage OrbiMed Asia's network, knowledge and experience in the medical industry.
Shareholding upon Listing	:	7.5% (without taking into account any Shares which may be allotted and issued upon exercise of the Over-Allotment Option or the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme)
Lock-up	:	Our Shares held by OrbiMed Asia are subject to a lock-up period of 12 months from the Listing Date.
Public float	:	Our Shares held by OrbiMed Asia are considered as part of the public float for the purposes of Rule 8.08 of the Listing Rules as (i) OrbiMed Asia is not a core connected person of our Company; (ii) the acquisition/subscription of OrbiMed Asia's shareholding interest in our Company has not been financed directly or indirectly by any core connected person of our Company; and (iii) OrbiMed Asia is not accustomed to take instructions from a core connected person in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in its name or otherwise held by it.

Special Rights

The Series A Preferred Shares held by OrbiMed Asia will be automatically converted into Ordinary Shares prior to the Listing. Together with such conversion, the following special rights, which have been granted to OrbiMed Asia pursuant to the Pre-IPO Investment Shareholders

Agreement and the articles of association of our Company in force prior to the adoption of the Articles, will be terminated upon the completion of the Global Offering:

Voting right	Series A Preferred Shares carry voting rights equal to such number of Ordinary Shares as convertible on the date the vote is to be taken.
Put option	If our Company fails to complete an initial public offering before December 31, 2018, OrbiMed Asia shall have the option to request Mr. Li to purchase up to all the outstanding Series A Preferred Shares held by OrbiMed Asia at the issue price of such Series A Preferred Shares plus a simple annual interest of 8%.
Director appointment right	Subject to certain shareholding requirements of OrbiMed Asia, it is entitled to appoint one director to our Board and the board of directors of any company within our Group.
Veto rights	Certain corporate actions of our Company require the approval of the holders of at least a majority of the Series A Preferred Shares or the Director appointed by the holders of the Series A Preferred Shares. Such actions include, among others, (a) enacting or modifying any employee share incentive plan; (b) borrowing any money or obtaining any financial facilities in a significant amount except pursuant to trade facilities obtained from banks or other financial institutions in the ordinary course of business; (c) making any significant investment or incurring any significant commitment; (d) altering or changing the rights, preferences or privileges of our Shareholders; (e) selling or disposing a substantial part of the undertaking, goodwill or the assets of our Group; (f) increasing or decreasing the size of our Board; (g) approving or modifying terms of transactions involving the interest of any director or shareholder of our Group, including the making of loans or advances, provision of guarantee, indemnity or security for any indebtedness of any director or shareholder of our Group.
Pre-emptive right	OrbiMed Asia has a right of first refusal to purchase up to a pro rata share of any new securities (other than certain excepted issuances, such as new securities issuance under employee share incentive schemes and the Global Offering, among others) which our Company may propose to issue.
Information and inspection rights	OrbiMed Asia has the rights to receive our Company's financial information, budgets and information regarding our Group, as well as the rights to visit our Group's site to inspect its facilities and properties and examine its books and records.

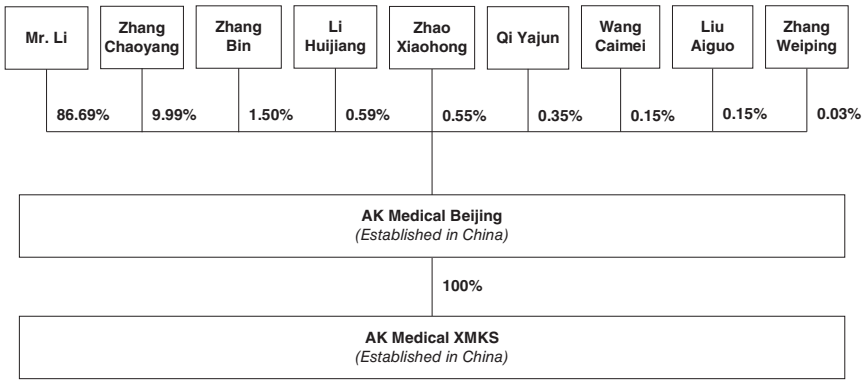
Right of first refusal	If any holder of our Ordinary Shares (the "**Transferring Shareholder**") proposes to sell or transfer any of its equity securities of our Company (the "**Offered Shares**"), our Company has the right of first refusal to purchase all or part of the Offered Shares, failing which OrbiMed Asia shall have the right of first refusal to purchase all or part of the Offered Shares on the terms and conditions stated in the transfer notice given by the Transferring Shareholder.
Right of co-sale	If we and OrbiMed Asia do not elect to exercise their respective rights of first refusal as to the Offered Shares, OrbiMed Asia has the right to participate in the sale of the Offered Shares by the Transferring Shareholder on the terms and conditions set forth in the transfer notice given by the Transferring Shareholder.
Liquidation preference	Prior and in preference to any distribution to the holders of Ordinary Shares, OrbiMed Asia shall be entitled to receive an amount equivalent to 100% of the issue price of the Series A Preferred Shares and any declared but unpaid dividends on such Series A Preferred Shares.
Conversion rights	The Series A Preferred Shares are convertible into Ordinary Shares with an initial conversion ratio of 1:1 prior to the Listing, which is subject to adjustments to be made to preserve the conversion rights against dilution in dilutive events, including share split, subdivision or combination, distribution of dividends or other distribution, capital reorganization, share reclassification, or consolidation, merger or amalgamation of the Company with or into another entity.

Sole Sponsor's confirmation

The Sole Sponsor considers that the Pre-IPO Investment by OrbiMed Asia is in compliance with the "Interim Guidance on Pre-IPO Investments", "Guidance on Pre-IPO Investments" and "Guidance on Pre-IPO Investments in Convertible Instruments" issued by the Listing Committee in January 2012 (updated in March 2017), October 2012 (updated in July 2013 and March 2017) and October 2012 (updated in March 2017), respectively, for reasons that: (i) the relevant consideration under the Pre-IPO Investment was fully and irrevocably settled and received by us on February 29, 2016, which was more than 28 clear days before the date of the first submission of the first listing application form to the Stock Exchange in relation to the Listing; (ii) all the special rights that were granted to OrbiMed Asia in the Pre-IPO Investment will be terminated upon the completion of the Global Offering; and (iii) there will be no conversion price when all Series A Preferred Shares are converted into Ordinary Shares and our Company or our Controlling Shareholders does not have the obligation to buy back the Series A Preferred Shares held by OrbiMed Asia at any time other than if our Company fails to complete an initial public offering by December 31, 2018.

REORGANIZATION

The following chart sets forth our Group's corporate and shareholding structure immediately prior to the Reorganization:



In order to prepare for the Listing, we underwent the Reorganization which involved the following steps:

(1) Incorporation of the Offshore Holding Vehicles

Incorporation of Our Company

Our Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on July 17, 2015. On the date of incorporation, the initial subscriber of our Company, an independent third party, transferred the one issued Share of HK$0.01 each in our Company at nil consideration to Ximalaya, and an additional 9,999 Shares of HK$0.01 each in our Company were allotted and issued as nil-paid, among which 8,668, 150, 999 and 182 Shares were allotted and issued to Ximalaya, Summer, Suntop and Sanbao, respectively. Accordingly, our Company was held as to 86.69% by Ximalaya, 1.50% by Summer, 9.99% by Suntop and 1.82% by Sanbao. The aforesaid transfer and subscriptions were fully settled and paid on February 26, 2016 and the aforesaid nil-paid shares were credited as fully-paid at par on February 26, 2016.

Incorporation of the Intermediate Holding Companies of Our Group

AK Medical BVI

In preparing for the Listing, AK Medical BVI was incorporated under the laws of BVI with limited liability on July 21, 2015 and is authorized to issue 50,000 shares of US$1.00 each. One share was allotted and issued to our Company on the date of incorporation as fully paid.

AK Medical HK

In preparing for the Listing, AK Medical HK was incorporated under the laws of Hong Kong with limited liability on July 28, 2015. One share in the amount of HK$1.00 was subscribed by AK Medical BVI on the date of incorporation.

(2) Stage 1 of the Pre-IPO Investment and Capital Increase of AK Medical Beijing

As part of the Pre-IPO Investment, on July 30, 2015, Mr. Li, Mr. Zhang Chaoyang, Ms. Zhang Bin, Ms. Zhao Xiaohong, Ms. Li Huijiang, Ms. Wang Caimei, Ms. Liu Aiguo, Mr. Qi Yajun, Mr. Zhang Weiping and Bright AK HK entered into the AK Medical Beijing Capital Increase Agreement, pursuant to which Bright AK HK subscribed for 10% of the equity interests in AK Medical Beijing at the subscription price of US$ equivalent of RMB14,000,000. The subscription price was paid on October 8, 2015, of which RMB5,555,555 was contributed to the registered capital of AK Medical Beijing and RMB8,444,445 was contributed to the capital reserve of AK Medical Beijing.

Such subscription price was determined with reference to a valuation report issued by an independent Chinese valuer with regards to the net asset value of AK Medical Beijing on July 15, 2015 and was settled on October 8, 2015. As a result, the registered capital of AK Medical Beijing was increased from RMB50,000,000 to RMB55,555,555. The aforesaid capital increase was registered by the competent Chinese government authority on August 20, 2015. For further details of the Pre-IPO Investment, see "—Pre-IPO Investment".

Immediately following completion of the aforesaid capital increase, AK Medical Beijing was held as to 78.021%, 8.991%, 1.350%, 0.531%, 0.495%, 0.315%, 0.135%, 0.135%, 0.027% and 10% by Mr. Li, Mr. Zhang Chaoyang, Ms. Zhang Bin, Ms. Li Huijiang, Ms. Zhao Xiaohong, Mr. Qi Yajun, Ms. Wang Caimei, Ms. Liu Aiguo, Mr. Zhang Weiping and Bright AK HK, respectively.

(3) Transfer of 90% of Equity Interests in AK Medical Beijing to AK Medical HK

On October 19, 2015, Mr. Li, Mr. Zhang Chaoyang, Ms. Zhang Bin, Ms. Li Huijiang, Ms. Zhao Xiaohong, Mr. Qi Yajun, Ms. Wang Caimei, Ms. Liu Aiguo and Mr. Zhang Weiping (the "**Existing Onshore Shareholders**") as transferors entered into an equity transfer agreement with AK Medical HK as transferee, pursuant to which the transferors transferred 78.021%, 8.991%, 1.350%, 0.531%, 0.495%, 0.315%, 0.135%, 0.135% and 0.027% (i.e. a total of 90%) of the equity interests in AK Medical Beijing to AK Medical HK at the consideration of RMB64,757,430, RMB7,462,530, RMB1,120,500, RMB440,730, RMB410,850, RMB261,450, RMB112,050, RMB112,050 and RMB22,410, respectively.

Such consideration was determined with reference to the net asset value of AK Medical Beijing in the unaudited management accounts of AK Medical Beijing on September 30, 2015. The aforesaid transfer was registered by the competent Chinese government authority on November 17, 2015.

Immediately following the registration of the aforesaid transfer, AK Medical Beijing was held as to 90% by AK Medical HK and 10% by Bright AK HK.

The aggregate consideration of the aforesaid transfer in the amount of RMB74,700,000 had been settled by April 7, 2016 and was funded by shareholder's loans advanced by Ximalaya to our Company on various dates between March 10, 2016 and April 7, 2016. On April 13, 2016, Ximalaya executed a deed of waiver in favor of our Company, pursuant to which Ximalaya unconditionally and irrevocably waived, released and discharged the repayment of shareholder's loans advanced from Ximalaya to our Company in an aggregate amount of RMB74,700,000 and any claim regarding such repayment.

The aforesaid step in the Reorganization was conducted primarily to flip the Existing Onshore Shareholders offshore to hold equity in the Company. Approximately the US dollar equivalent of RMB80,000,000 was estimated to be the funding required by the Company for the acquisition of the 90% equity interest in AK Medical Beijing (OrbiMed Asia having injected RMB14,000,000 into AK Medical Beijing for 10% equity interest via Bright AK HK, being part of the Pre-IPO Investment). As the aforesaid step in the Reorganization was to facilitate the flipping of the Existing Onshore Shareholders to hold the equivalent proportion of Shares (having taken into account OrbiMed Asia's investment) of the Company, the aforesaid step in the Reorganization was structured in a form of share transfer for cash consideration rather than a share exchange, the latter of which would require the approval of MOFCOM and such approval is rarely granted in practice. Under the Pre-IPO Investment, the cash needed to facilitate the aforesaid step in the Reorganization was agreed to be funded by the Existing Onshore Shareholders, rather than funded by the Pre-IPO Investment. Accordingly, Mr. Li agreed, on behalf of all the Existing Onshore Shareholders, to bridge the funding needs for this transaction by advancing such funds in US dollars to the Company. However, as such funds needed to be offshore funds, Mr. Li had to source such funds through an offshore banking facility, which at the time of the closing of the Pre-IPO Investment, was not yet ready and available. OrbiMed Asia and the Company therefore agreed to waive such advancement as a condition precedent and closed the Pre-IPO Investment to accommodate the then timetable of the proposed Listing of the Company. RMB74,700,000 was finally determined as the aggregate consideration for the 90% equity interest held by the Existing Onshore Shareholders under the equity transfer agreement and the US dollar equivalent (US$11,551,412.12) was subsequently advanced to the Company between March 10, 2016 and April 7, 2016 by Mr. Li via Ximalaya. The funds were then injected to AK Medical HK which then used such funds to acquire the 90% equity interest of the Existing Onshore Shareholders.

Mr. Li via Ximalaya agreed to waive the Company's obligation to repay the advancement as this was in substance a capital contribution to the Group by the Existing Onshore Shareholders and represented a "bridge" for the funds needed to complete the group reorganization. When the Existing Onshore Shareholders sold their 90% equity interest to AK Medical HK, the cash they received from such sale amounted to RMB74,700,000, all of which were received by Mr. Li. Save as the above, the Company confirmed that there was not any other side arrangements in relation to this shareholder's loan.

(4) Subscription of Shares in our Company

In order to rationalize the shareholding structure of our Company in preparation for Stage 2 of the Pre-IPO Investment, on February 26, 2016, each of Ximalaya, Suntop, Sanbao and Summer subscribed 69,352, 7,992, 1,456 and 1,200 Shares of HK$0.01 each in our Company at par value. The aforesaid subscriptions were fully paid on February 26, 2016. The subscription was in proportion to each shareholder of our Company's then shareholding.

Immediately following completion of the aforesaid subscriptions, our Company was held as to 86.69% by Ximalaya, 1.5% by Summer, 9.99% by Suntop and 1.82% by Sanbao, respectively.

(5) Reclassification and Re-designation of Ordinary Shares and Series A Preferred Shares in Our Authorized Share Capital

To prepare for Stage 6 of the Reorganization, the authorized share capital of our Company, namely HK$380,000 divided into 38,000,000 Shares of HK$0.01 each, was reclassified and re-designated into 37,990,000 Ordinary Shares with par value of HK$0.01 each and 10,000 Series A Preferred Shares with par value of HK$0.01 each pursuant to the resolutions in writing of our Shareholders passed on February 29, 2016. The 90,000 issued Shares held by Ximalaya, Suntop, Sanbao and Summer remained Ordinary Shares.

Immediately following completion of the aforesaid creation, two classes of Shares, namely 37,990,000 Ordinary Shares of HK$0.01 each and 10,000 Series A Preferred Shares of HK$0.01 each were created in the authorized share capital of our Company.

(6) Stage 2 of the Pre-IPO Investment and Transfer of 100% of Shares of Bright AK HK to AK Medical BVI

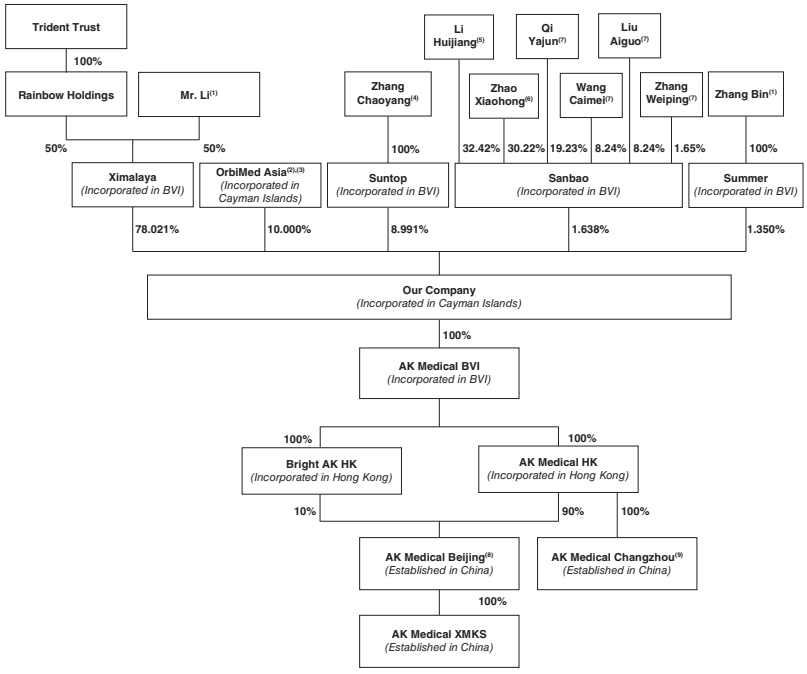
As part of the Pre-IPO Investment, on December 18, 2015, our Company, AK Medical BVI, AK Medical HK, AK Medical Beijing, AK Medical XMKS, Mr. Li, Ximalaya, Ms. Zhang Bin, Mr. Zhang Chaoyang, Suntop, Summer, Sanbao and OrbiMed Asia entered into the Series A Preferred Share Purchase Agreement, pursuant to which OrbiMed Asia subscribed 10,000 Series A Preferred Shares of HK$0.01 each (each convertible into one Ordinary Share pursuant to its terms) in our Company at an aggregate consideration of RMB140,000,000. Among such consideration, the US$ equivalent of RMB126,000,000 was settled in cash as subscription money to our Company, of which RMB60,000,000 was settled on December 22, 2015 and RMB66,000,000 was settled on February 29, 2016, and the remaining RMB14,000,000 was settled by the transfer of all the 100 shares in Bright AK HK held by OrbiMed Asia to AK Medical BVI on February 29, 2016. The transfer of the aforesaid shares in Bright AK HK was completed on the same date. For further details, including the basis for determining the consideration, of the Pre-IPO Investment, see "—Pre-IPO Investment".

Immediately following completion of the aforesaid subscription and transfer, (i) our Company, on an as-converted basis, was held as to 78.021% by Ximalaya, 10% by OrbiMed Asia, 8.991% by Suntop, 1.638% by Sanbao and 1.350% by Summer, respectively, and (ii) Bright AK HK was wholly owned by AK Medical BVI.

(7) Establishment of the Family Trust

On July 10, 2017, Mr. Li, as settlor, established the Family Trust with Trident Trust acting as trustee. Rainbow Holdings was incorporated on July 11, 2017 by Trident Trust to hold assets and properties under the Family Trust. The purpose of the Family Trust is for estate planning of Mr. Li and his family. Pursuant to the deed of settlement regarding the Family Trust, Trident Trust holds assets and properties under the Family Trust for the benefit of Mr. Li and certain of his family members. Mr. Li is the protector of the Family Trust and retains control of the Family Trust. Pursuant to a deed of gift dated August 11, 2017, Mr. Li transferred one share in Ximalaya, representing 50% of the issued share capital of Ximalaya, to Trident Trust for nil consideration and Trident Trust transferred such one share in Ximalaya to Rainbow Holdings. Accordingly, 50% of the issued share capital in Ximalaya is held under the Family Trust by Trident Trust for the benefit of Mr. Li and certain of his family members. Mr. Li remains the sole director of Ximalaya.

The following chart sets forth the corporate and shareholding structure of the Group immediately after the completion of the Reorganization:



(1) Ms. Zhang Bin, one of our Controlling Shareholders, an executive Director and a senior vice president of our Company, is the spouse of Mr. Li, one of our Controlling Shareholders, the chairman of our Board, an executive Director and the chief executive officer of our Company.

(2) For further details regarding OrbiMed Asia, see "—Pre-IPO Investment—Summary of Material Terms—Name and Information of the Pre-IPO Investor".

(3) The shareholding percentage of each Shareholder is calculated on the assumption that all Series A Preferred Shares held by OrbiMed Asia are converted into Ordinary Shares prior to the Listing pursuant to the terms in the Pre-IPO Investment Shareholders Agreement and the articles of association of our Company in force prior to the adoption of the Articles.

(4) Mr. Zhang Chaoyang, an executive Director and a senior vice president of our Company, is the brother of Ms. Zhang Bin and the brother-in-law of Mr. Li.

(5) Ms. Li Huijiang is the sister of Mr. Li and the sister-in-law of Ms. Zhang Bin.

(6) Ms. Zhao Xiaohong is an executive Director and the chief financial officer of our Company.

(7) Each of Ms. Wang Caimei, Ms. Liu Aiguo, Mr. Zhang Weiping and Mr. Qi Yajun is a senior management member of our Group.

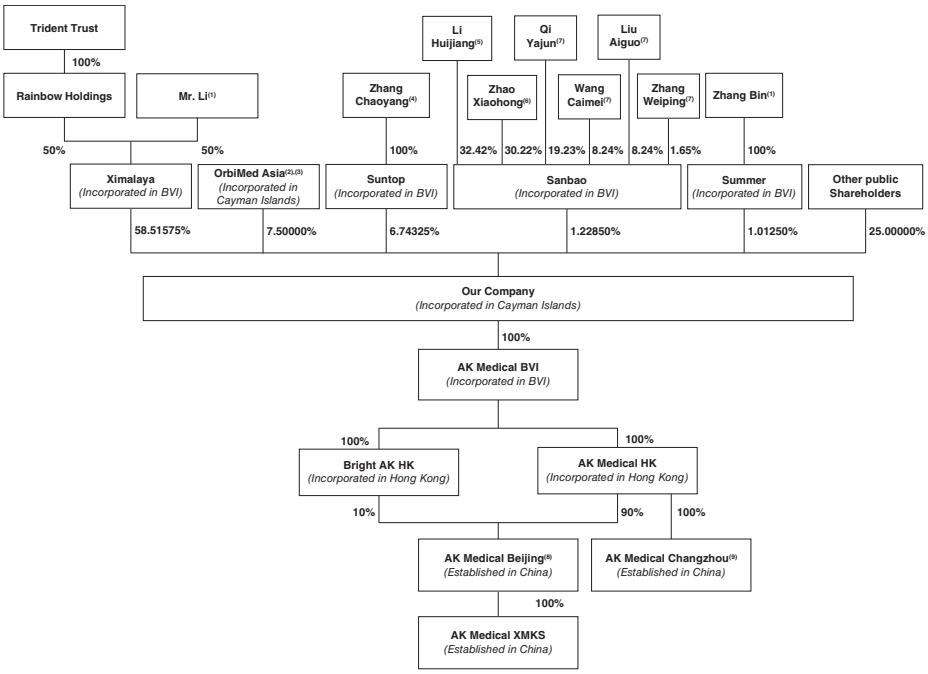
(8) AK Medical Beijing has four branches. For further details regarding such branches, see "Information About Our Company—6. Further information about the establishment of our Chinese subsidiaries" in Appendix IV to this prospectus.

(9) AK Medical Changzhou was established in China on March 28, 2016 as limited liability company. For further details regarding AK Medical Changzhou, see "—Corporate Development—Our Chinese Subsidiaries—AK Medical Changzhou".

CAPITALIZATION ISSUE AND GLOBAL OFFERING

Conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Company will capitalize all or a portion, as the case may be, of the balance of the share premium account and apply such sum in paying up in full at nominal value a total of 749,900,000 Shares, for allotment and issue to the existing shareholders of our Company. Immediately after the Global Offering and Capitalization Issue (without taking into account any Shares which may be issued upon exercise of the Over-Allotment Option or any options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), the existing shareholders of our Company and the public holders of Shares will hold 75% and 25%, respectively, of the enlarged issued share capital of our Company.

The following chart sets forth the corporate and shareholding structure of our Group immediately following completion of the Global Offering and Capitalization Issue (without taking into account any Shares which may be issued upon exercise of the Over-Allotment Option or any options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme):



(1) Ms. Zhang Bin, one of our Controlling Shareholders, an executive Director and a senior vice president of our Company, is the spouse of Mr. Li, one of our Controlling Shareholders, the chairman of our Board, an executive Director and the chief executive officer of our Company.

(2) For further details regarding OrbiMed Asia, see "—Pre-IPO Investment—Summary of Material Terms—Name and Information of the Pre-IPO Investor".

(3) The shareholding percentage of each Shareholder is calculated on the assumption that all Series A Preferred Shares held by OrbiMed Asia are converted into Ordinary Shares prior to the Listing pursuant to the terms in the Pre-IPO Investment Shareholders Agreement and the articles of association of our Company in force prior to the adoption of the Articles.

(4) Mr. Zhang Chaoyang, an executive Director and a senior vice president of our Company, is the brother of Ms. Zhang Bin and the brother-in-law of Mr. Li.

(5) Ms. Li Huijiang is the sister of Mr. Li and the sister-in-law of Ms. Zhang Bin.

(6) Ms. Zhao Xiaohong is an executive Director and the chief financial officer of our Company.

(7) Each of Ms. Wang Caimei, Ms. Liu Aiguo, Mr. Zhang Weiping and Mr. Qi Yajun is a senior management member of our Group.

(8) AK Medical Beijing has four branches. For further details regarding such branches, see "Information About Our Company—6. Further information about the establishment of our Chinese subsidiaries" in Appendix IV to this prospectus.

(9) AK Medical Changzhou was established in China on March 28, 2016 as limited liability company. For further details regarding AK Medical Changzhou, see "—Corporate Development—Our Chinese Subsidiaries—AK Medical Changzhou".

Chinese Regulatory Requirements

In relation to all the transfers of equity interests, investments and increases in registered capital in our subsidiaries established in China as described in this section, our PRC Legal Advisor confirms that all necessary regulatory approvals from the Chinese authorities have been obtained and all relevant Chinese laws and regulations have been complied with.

THE RULES ON THE MERGERS AND ACQUISITIONS OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS IN CHINA

According to the Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產管理監督委員會), the SAT, the CSRC, State Administration of Industry and Commerce and the SAFE on August 8, 2006 and effective as of September 8, 2008 and amended in June 2009, where a domestic company, enterprise or natural person intends to acquire its/his/her related domestic company in the name of an offshore company which it/he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the MOFCOM, and where a domestic company or natural person holds an equity interest in a domestic company through an offshore special purpose company, any overseas listing of that special purpose company shall be subject to approval by the CSRC.

According to the Guiding Handbook on Access Administration of Foreign Investment (Version 2008) (Shang Zi Fu Zi [2008] No. 530) (《外商投資准入管理手冊》(2008年版)), the M&A Rules do not apply *mutatis and mutandis* to equity transfers of an established foreign-invested enterprise by the domestic party to foreign parties, regardless of any affiliated relationships among such parties and whether or not the foreign parties are the original shareholders or new investors. The domestic company referred to in the M&A Rules refers to a domestic-invested enterprise.

As advised by our PRC Legal Advisor, at the relevant time of the Reorganization, AK Medical Beijing was a sino-foreign equity joint venture enterprise. The Reorganization involved an acquisition of equity interest in a sino-foreign equity joint venture enterprise. Hence, the Provisions on Mergers and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) jointly promulgated by the MOFCOM, the CSRC, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation, the State Administration of Industry and Commerce and the SAFE on August 8, 2006 which took effective on September 8, 2006 and was amended on June 22, 2009, is not applicable and approval from the MOFCOM, the CSRC or other Chinese government authorities for the Listing is not required.

SAFE REGISTRATION IN CHINA

On July 4, 2014, the SAFE issued the Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Round-trip Investment Conducted by Chinese Mainland Residents via Special-purpose Companies (Hui Fa [2014] No. 37) (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular No. 37**"). According to the SAFE Circular No. 37, with respect to a registered special purpose vehicle, any changes made to the Chinese residency of its individual shareholders, its name, term of operation or other basic information, or other material information, such as the increase or reduction of capital contribution or transfer, or swap of equity by any shareholder, or merger or de-merger of such registered special purpose vehicle, the shareholders shall promptly re-register such changes with the competent foreign exchange authority.

As confirmed by our PRC Legal Advisor, in relation to the incorporation of Ximalaya, Suntop, Sanbao and Summer as investment vehicles, Mr. Li, Mr. Zhang Chaoyang, Ms. Li Huijiang, Ms. Zhao Xiaohong, Mr. Qi Yajun, Ms. Wang Caimei, Ms. Liu Aiguo, Mr. Zhang Weiping, Ms. Zhang Bin, all of whom are Chinese citizens, completed the process of registration required under SAFE Circular No.37 on November 2, 2015. In addition, as confirmed by our PRC Legal Advisor, in relation to the transfer of share in Ximalaya from Mr. Li to Trident Trust on August 11, 2017, i.e. a change in the shareholding in Ximalaya, registration as required under SAFE Circular No.37 was completed on September 26, 2017 in compliance with Chinese laws and regulations.

As confirmed by our PRC Legal Advisor, we have obtained and completed all requisite approvals and/or registrations in all material aspects from the relevant Chinese authorities in respect of the Reorganization, and the Reorganization has, in all material aspects, complied with the applicable laws and regulations in China.

OVERVIEW

We are the first and only medical device company that has commercialized the application of 3D-printing technology in orthopedic joint and spine replacement implants in China, commanding a leading position in the Chinese orthopedic joint implant market. We design, develop, produce and market orthopedic implants, with a focus on hip and knee replacement implants. We also rolled out our 3D-printed spinal interbody cages and artificial vertebral bodies in 2016, thereby entering into the spine replacement implant market. We market our products under the brand name of "AK Medical" ("愛康"), which was the bestselling brand of orthopedic joint implants in China by sales volume in 2016, according to Frost & Sullivan. "AK Medical" ("愛康") was also the bestselling domestic orthopedic joint implant brand in China by revenue in 2016. Our products include orthopedic joint implants for primary surgeries as well as those specifically designed for revision surgeries for the replacement, repair or enhancement of an implant or component from a previous procedure. Our three 3D-printed products are the first and only CFDA-approved 3D-printed orthopedic implant products in China. We also market orthopedic products produced by third parties as a distributor to complement our product offerings to customers.

We developed and introduced our personalized 3D Accurate Construction Technology solutions, or "3D ACT solutions", in July 2014 to help our products penetrate more hospitals. Our 3D ACT solutions assist surgeons in simulating and planning for implant surgeries, simplify surgical processes, offer personalized surgical instruments and pre-surgery selected implants and improve patients' recovery experience significantly. Our 3D ACT solutions integrate our proprietary Physician-Technician Interaction Platform, or "PTIP", which is currently provided as a complimentary service, with our technologies for producing 3D-printed and/or off-the-shelf surgical instruments and implant products, from which we generate revenue.

We sell our products mainly through our distribution network which covers all the provinces, municipalities and autonomous regions in China. As of June 30, 2017, we had 650 distributors. Our extensive distribution network gives us access to a large customer base around China, enabling our products to be distributed in a cost-effective manner. We also sell a portion of our products directly to hospitals through our subsidiary which holds the medical device business certificate. This allows us to establish and maintain direct relationships with surgeons and collect clinical data and feedback more conveniently from them, which helps us design new and improved products, and form new strategies to adjust to market demands. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, we sold 37,475, 44,652, 57,650, 24,666 and 28,941 sets of off-the-shelf hip replacement implants, respectively, 8,920, 11,887, 17,105, 7,051 and 9,424 sets of knee replacement implants, and nil, 214, 2,842, 730 and 2,441 pieces of 3D-printed products, respectively.

We produce our products through our production facilities in Beijing. Our production facilities in Changzhou are in the preparatory stage for construction. We design, develop and produce all our surgical instruments and orthopedic implants in-house in our production facilities, other than certain production procedures for certain products which we outsource to third parties. Our production plants are equipped with machines and equipment owned by us, including 3D-printing machinery for producing implant products, personalized surgical instruments, computerized numerical controlled machine tools, surface processing equipment and other equipment for each stage of the production process.

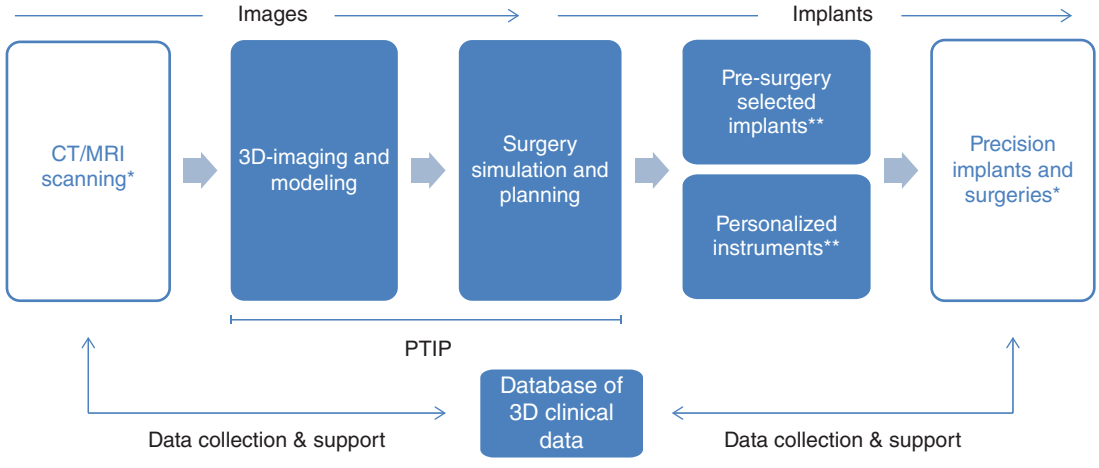
We grew rapidly during the Track Record Period. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our revenue amounted to RMB148.3 million, RMB206.2 million, RMB270.8 million, RMB115.3 million and RMB162.5 million, respectively, representing a CAGR of 35.1% from 2014 to 2016. In the same periods, we had gross profit of RMB101.3 million, RMB142.1 million, RMB187.3 million, RMB79.9 million and RMB111.7 million, respectively, representing a CAGR of 36.0% from 2014 to 2016.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths have contributed to our success and differentiated us from our competitors, and will continue to drive our success:

We have proven medtech innovation capabilities, having introduced the revolutionary personalized 3D ACT solutions to the Chinese orthopedic implant market.

We are a medical device company with proven medtech innovation capabilities. We are the first and only company in China that has commercialized the application of 3D-printing technology in orthopedic joint and spine replacement implants in China. We have also developed and introduced the personalized 3D ACT solutions, which assist surgeons in simulating and planning for implant surgeries, simplify surgical processes, offer personalized surgical instruments and pre-surgery selected implants and improve patients' recovery experience significantly. Our 3D ACT solutions integrate our proprietary Physician-Technician Interaction Platform, or "PTIP", with our technologies for producing 3D-printed and/or off-the-shelf surgical instruments and implant products. Our PTIP comprises access to our large and growing database of 3D clinical data where our technicians produce 3D images based on 2D images of the patients' affected bone areas using specialized software and transform them into 3D-printed models. With close interaction between our technicians and the surgeons, whose patients may have varying needs and who may have different surgery habits, our PTIP helps the surgeons formulate surgery plans. To complete our 3D ACT solution offering, we assist surgeons and their patients in selecting the appropriate implant products and surgical instruments for the particular surgeries, and produce personalized surgical instruments where needed. As our 3D-printed or our off-the-shelf products will be used for such surgeries, we will provide models of such bone areas to the surgeon for pre-surgery preparation and practice. The following chart illustrates how our 3D ACT solutions work:



* conducted by doctors in hospitals.

** we offer 3D-printed or off-the-shelf instruments and implants to be used in conjunction with our 3D ACT solutions.

3D ACT solutions consist of the following stages:

- *PTIP*: Our technicians first analyze data collected from CT or MRI scanning using specialized software, and construct 3D images and 3D models to provide surgeons with detailed information through virtual simulation and physical modeling for individual patients. Surgeons and technicians will then have access to precedent cases in our database of 3D clinical data for reference, and will closely interact with each other to simulate and plan for the surgeries at hand. As the surgeries will be well-simulated and the surgery plans will be personalized through our PTIP, the surgical instruments and the type and size of implants can be accurately determined prior to the surgery, as opposed to the conventional procedure where they are determined during the surgery, complex surgeries can be simplified. As of June 30, 2017, over 2,000 surgical plans had been made through our PTIP.

- *Database of 3D clinical data*: When surgeries are simulated and planned through our PTIP, our database collects clinical data including 3D images, 3D models and other clinical data. By benefitting from the shared experiences of other surgeries and surgeons through access to our vast database of past cases, surgeons do not need to rely solely on their own prior experience when planning for precision surgeries. As of the Latest Practicable Date, our database had collected clinical data from more than 2,000 surgical cases, which is equivalent to the experience of a seasoned surgeon.

- *Personalized surgical instruments*: According to the surgical plans, the surgeons may select our 3D-printed or off-the-shelf surgical instruments for the surgeries. If 3D-printed surgical instruments are used, our technicians will use cutting-edge 3D-printing technologies to produce personalized surgical instruments, such as surgical guides, that match each patient's unique anatomy, which reduces the need for bone, tissue and cartilage removal.

- *Pre-surgery selected implants*: Depending on the results of the 3D-imaging, modeling and planning, the needs of the patient as well as the surgeons' surgery habits, the surgeons and patients can select, on an informed basis, our 3D-printed or off-the-shelf products, or a combination of both, for the surgeries. Our 3D ACT solutions also allow surgeons to select the type and size of orthopedic products that best match each patient's unique anatomy before the surgery, which simplifies the surgery process and greatly reduces the need for surgeons to remove patients' bones, tissues and cartilage to accommodate the implant.

Our personalized 3D ACT solutions offer the following benefits to patients, surgeons and hospitals which we believe revolutionalize the way in which orthopedic surgeons perform surgeries:

- *For patients:* As our PTIP helps surgeons simulate surgeries, surgeons can better inform their patients of the surgical procedures and possible outcomes of the surgeries prior to the surgeries. This allows patients to have better-informed expectations. In addition, with the help of 3D-imaging and 3D-modeling, surgical procedures become faster and more accurate and therefore less time under anesthetic and less pain for patients. Our personalized surgical instruments match each patient's unique anatomy, reducing the need for bone, tissue and cartilage removal, thereby improving the patients' recovery experiences significantly.

- *For surgeons:* Our PTIP, supported by our database of 3D clinical data, reduces the amount of clinical experience required for surgeons to plan and perform implant surgeries in a fast and accurate manner. Personalized surgical guides and implants also improve the accuracy of implant alignments compared to off-the-shelf products, thereby reducing the difficulty level of the surgery, reducing surgeons' learning curve and enhancing the post-op intactness of the implants.

- *For hospitals:* With the help of PTIP, hospitals located in regions with limited medical resources and few experienced orthopedic surgeons would be in a position to perform surgeries of a high difficulty level by less experienced surgeons. The feature of our PTIP that visualizes surgical plans helps hospitals train sufficiently qualified but less experienced orthopedic surgeons. It also facilitates patients' understanding of the surgical plans and thus improves the communications between hospitals and patients. Also, our personalized solutions achieve greater precision in surgery, thereby reducing patients' recovery time from surgeries, and shortening patients' hospital stays. In addition, by increasing the efficiency and precision of surgical simulation and planning, our PTIP simplifies surgical procedures and improves turnaround times in the operating rooms.

For our 3D ACT solutions, we only charge for our off-the-shelf or 3D-printed products, and currently our PTIP is provided as a complimentary service. We currently do not have a plan to charge extra fee for the usage of our PTIP itself in the near future. Given the advantages of our PTIP and its integration with our products, offering our 3D ACT solutions helps our products penetrate more hospitals, particularly high-end hospitals with substantial orthopedic surgery practices. In the six months ended June 30, 2017, our products were sold to 3,370 hospitals, among which 1,054 were Class III hospitals and 258 used our 3D ACT solutions, compared to 1,615 hospitals in 2014, among which 319 were Class III hospitals and 36 used our 3D ACT solutions.

We are a leader in the fast-growing orthopedic joint implant market in China and enjoying strong brand name recognition among surgeons.

We are a leader in the orthopedic joint implant market in China, marketing our products under the brand name of "AK Medical" ("愛康"), the bestselling brand of orthopedic joint implants in China by sales volume in 2016, according to Frost & Sullivan. "AK Medical" ("愛康") is also the bestselling domestic orthopedic joint implant brand in China by revenue in 2016. In 2016, we had a market share of 14.3% in terms of sales volume and 6.0% in terms of revenue in the orthopedic joint implant market in China. In particular, "AK Medical" ("愛康") is the leading brand of orthopedic joint implants in each of the hip and knee replacement implant sectors in terms of both sales volume and revenue in 2016.

We offer a comprehensive range of products including 50 CFDA-approved medical devices. Among our 26 Class III medical devices, 24 are orthopedic joint implant products and two are spine replacement implants. Our product lines cover off-the-shelf products and 3D-printed products for primary, revision and reconstruction surgeries, being the most comprehensive in the orthopedic joint implant market among domestic brands in China.

In addition, we believe our products are on par with those of major international orthopedic joint implant companies in terms of product portfolio and processing and production technologies. In particular:

- *Friction interface:* According to CFDA, we are the first China-based orthopedic joint implant company that has CFDA-approved orthopedic joint implant products with the fourth generation composite ceramics-highly crosslinked polyethylene friction interface. A sound friction interface could greatly reduce the amount of its potential wear debris and osteolysis, and therefore minimizes the risk of aseptic loosening of the implant. The fourth generation composite ceramics-highly crosslinked polyethylene friction interface has a low wear rate, and has been proven by clinical results to greatly improve the longevity of orthopedic joint implants. It is one of the friction interfaces adopted by major international orthopedic joint implant companies for high-end orthopedic joint implants.

- *Bone interface technology:* After seven years of R&D, in August 2015, we launched our CFDA-approved 3D-printed hip replacement implant with trabecular structure that applies cutting-edge 3D-printing precision construction technology. As of the Latest Practicable Date, our 3D-printed products with trabecular structure were the only CFDA-approved 3D-printed orthopedic implant products in China. Trabecular structure bone interfaces have relatively high friction and high porosity, which improve biological fixation and the longevity of orthopedic joint implants.

- *Advanced production process:* We are committed to employing advanced production processes to enhance our product quality. For example, we employ the latest electron beam melting method to produce our 3D-printed hip replacement implant with trabecular structure in one piece, instead of the traditional coating technology.

- *Strengths in high-end markets:* Backed by our high product quality and advanced technologies, our presence is particularly strong in the high-margin sectors of the orthopedic joint implant market, such as revision and reconstruction surgeries. Revision surgeries generally have a higher profit margin for orthopedic joint implant companies than primary surgeries, since they require more precision in the development and production of implants. Our market share in the revision joint replacement implant market in China grew from 20.0% in 2014 to 23.1% in 2015 and further to 26.1% in 2016.

Leveraging our position as a leader in the Chinese market in terms of market share, range of product offerings and technology, our brand name is widely recognized and trusted in the orthopedic joint implant market by hospitals, surgeons and patients. During the Track Record Period, we had sold more than 216,000 sets of orthopedic joint implants in China and overseas. In general, surgeons tend to choose orthopedic products from the same brand as the surgical instruments with which they are familiar with operating, thereby creating a path dependent effect. As more of our products are used, more surgeons will become familiar with our brand of surgical instruments and related products and solutions. Our large sales volume therefore increases the user adhesiveness of our products and is a significant competitive advantage for our sales of existing and future products. Furthermore, we expect that, over time, we will be able to further increase our brand name recognition and path dependent effect on our current and future customers, thereby solidifying our position as a market leader in the future.

We have strong R&D capabilities driven by 3D-printing technologies.

Our strong R&D capabilities are the cornerstones of our leading position in the orthopedic joint implant market in China. As of the Latest Practicable Date, we had 36 invention patents, 140 utility patents and two patents under the PCT. We also had 134 pending invention patents, 77 pending utility patents and six pending patent applications filed under the PCT. We have obtained 26 CFDA registration certificates for Class III medical devices. We also have eight on-going applications for registration approval by CFDA or its local counterpart.

We began designing, developing, producing and marketing knee and hip replacement implants under our own brand name more than 13 years ago, and we have developed a comprehensive range of products to meet patients' varying needs in response to patients' different types and stages of diseases. Our precision production capabilities we employ in designing and producing knee and hip replacement implants, our strong R&D capabilities and our broad portfolio of knee and hip replacement implants allow us to further penetrate the high end market. Our internal R&D capabilities are further reinforced by our cooperation with academic and research institutes on fundamental and theoretical research, as well as with renowned hospitals directly on joint R&D projects.

Since 2009, we have been spearheading the industry trend of pursuing customization and precise construction of orthopedic products by developing products with trabecular structure by applying 3D-printing technologies. Today, our first-mover advantage and rich experience in 3D-printing technologies for hip, knee and spine replacement implants allow us to quickly capture new markets, as we can apply our R&D achievements to address patients' demands in other orthopedic product sectors. As of the Latest Practicable Date, our 3D-printed hip replacement implant and our 3D-printed spine replacement implants were the only 3D-printed orthopedic implants approved by the CFDA. Also, we, from time to time, provide personalized 3D-printed implants upon receiving ad hoc requests from hospitals free of charge. These personalized 3D-printed implants were used in the treatment of specific rare cases as part of the relevant surgeons' biomedical research involving human as approved by the ethical committees of the hospitals or healthcare institutions where such research studies were carried out. In 2014, 2015, 2016 and the six months ended June 30, 2017, there were four, 20, 31 and 24 such cases, respectively, including the first-ever pelvic tumor operation in the world, the first-ever elbow operations in the world, as well as wrist, knee, shoulder, ankle and maxillofacial operations. Our PRC Legal Advisor has advised us that the use of our personalized 3D-printed implants in the treatment of above-mentioned rare cases is in compliance with the relevant PRC laws, regulations and rules relating to biomedical research involving human.

Our R&D capabilities help us build our robust product pipeline. As of the Latest Practicable Date, we had four products, including two hip replacement implants, one knee replacement implant and one spine replacement implant, in the post-clinical trial stage, one 3D-printed knee replacement implant in the clinical trial stage and one 3D-printed spine replacement implant pending pre-clinical trial approval. From 2018 to 2020, we plan to launch six new products, including our 3D-printed knee replacement implants. See "—Product Pipeline".

We are well-positioned to benefit from the import substitution trend of the orthopedic joint implant market in China.

The Chinese government has instituted policies to encourage the use of medical devices produced in China over imported products. According to Frost & Sullivan, in 2016, 53.3% of orthopedic joint implants surgeries used imported products, which generally have a competitive edge in high-end markets in China. To effectively compete with imported products in the high-end market and take advantage of the import substitution trend, the quality of domestically produced products needs to be comparable to that of imported products.

Our R&D capabilities enable us to design and develop quality products which are on par with those of leading international companies that target the high-end sectors of the orthopedic implant market, such as our orthopedic joint and spine replacement implants with trabecular structure, and our revision surgery products which have high precision requirements for orthopedic joint implants. Our strong presence in these high-end markets that have historically been dominated by imported products places us in a strong position to benefit from the import substitution trend in China.

In addition, we cooperate with renowned hospitals in China on joint R&D projects, from which we obtain first-hand feedback from surgeons on their clinical experience and needs. Through these initiatives, we have the leverage to develop and refine our products that are tailored for Chinese surgeons' and patients' clinical needs, which gives us a competitive edge over imported products. For example, as a result of a joint research project between us and seven clinical experts from renowned hospitals in China, we rolled out our latest A3 Total Knee Replacement product in 2012. Notably, under our five-year strategic cooperation with Peking University Third Hospital, which has a reputable spinal practice, Peking University Third Hospital provided valuable feedback from clinical experience which contributed to our development of our two 3D-printed spine replacement implants. We believe cooperation with reputable hospitals not only promotes our brand name recognition, but also allows us to leverage on such hospital's reputation and recognition among other surgeons and hospitals to endorse our products, in particular those with practices in the high-end markets, who tend to use imported orthopedic joint implants and are interested in sourcing high-end domestic orthopedic joint implants in the future.

Moreover, high-end hospitals in China, such as Class III hospitals, are the main customers of imported orthopedic joint implants. Due to our high product quality, our penetration in Class III hospitals is higher than our overall penetration. As such, we are well-positioned to benefit from the import substitution trend.

We have an extensive nationwide distribution network which is supported by a strong sales and marketing team.

We sell our products mainly through distributors, but also engage in direct sales to hospitals. We have established a growing nationwide distribution network, covering all the provinces, municipalities and autonomous regions in China. As of June 30, 2017, we had 650 distributors.

Our extensive distribution network enables us to reach a diverse customer base. The extensive coverage of the distributors' sales networks makes our products readily available to end users nationwide, and allows us to interact with and respond to a wide range of end users' expectations in a more effective, flexible and timely manner. Our direct sales to hospitals enable us to establish and maintain direct relationships with surgeons, keeping us close to the frontline of medical practice and the application of our products. It allows us to collect clinical data and feedback from surgeons, which helps us design new and improved products, and form new strategies to adjust to market demands.

We have a dedicated sales and marketing team of 121 members as of the Latest Practicable Date which manages our distributors and conducts direct sales to end users. 56.2% of the members of the sales and marketing team have educational backgrounds in clinical medicine, bio-engineering, pharmacy or other related areas. With their relevant experience and knowledge, our sales and marketing team can effectively provide professional support and guidance on the use of our orthopedic implants, creating additional value to our customers, and discuss with them their feedbacks and relevant clinical data for potential improvements on our products.

We have an experienced and dedicated management team and our founder and chairman, Mr. Li, has extensive clinical experience in and insightful knowledge of orthopedic practices in China.

We have an experienced, dedicated and stable management team, whose abundant industry knowledge and technical and management expertise have contributed to our successful development so far. Our management team has a profound understanding of the industry. One of our founders and the chairman of the Board, Mr. Li, has over 20 years of clinical and orthopedic industry related experience. His 11 years of experience in the surgical department of a hospital have helped him develop a high-level perspective and awareness of the industry's development. Our executive Director and senior vice president, Ms. Zhang Bin, has over 20 years of experience in the medical industry. Before joining our Group, Ms. Zhang worked as a physician and CT diagnosis radiologist. Our executive Director and senior vice president, Mr. Zhang Chaoyang, is one of our founders and has over 10 years of experience in the orthopedic medical device industry. Our director of research center, Dr. Wang Caimei, has over 10 years of R&D experience in orthopedic implants and oversees the management of our research center. Our executive Director and chief financial officer, Ms. Zhao Xiaohong, has over 10 years of experience in financial management and analysis, and worked at Ernst & Young for five years before joining us. She is a qualified Certified Public Accountant and is a member of the Association of International Accountants. See "Directors and Senior Management". The average tenure of our senior management is over five years. Our Chairman, executive Directors, chief engineer and chief financial officer have been working together at our Group for the last five years. We believe that, with the extensive experience and profound understanding of the industry, our management team will help us sustain our growth and achieve greater success in the future.

OUR STRATEGIES

We strive to become a world-class innovative medtech company and continue to offer personalized solutions and implant products to surgeons and patients. In particular, we plan to implement the following strategies:

Further ramp up the application of our personalized 3D ACT solutions in both high-end and mass markets to further drive the growth of our product sales, broaden our product portfolio, and enhance customer stickiness.

We plan to further ramp up the application of our personalized 3D ACT solutions to drive the growth of our product sales and enhance customer stickiness. According to Frost & Sullivan, personalized orthopedic surgical solutions are becoming a trend in the high-end orthopedic product market, or surgeries performed by Class III hospitals in major cities. Comparatively, in mass market targeting hospitals of lower classes or in small cities and rural areas, the introduction of personalized orthopedic surgical solutions are in an initial stage. In addition, according to the "Health China 2030" Plan issued by the State Council of the PRC, the government will proactively promote technological advancements in smart healthcare over the next 15 years. As our 3D ACT solutions provide solutions tailored for each individual case, we believe ramping up the application of our 3D ACT solutions to both high-end and mass markets will position us to benefit from this trend, and in turn drive the growth of our product sales and enhance customer stickiness.

Our 3D ACT solutions will facilitate surgeons in surgery planning in a more effective and efficient manner when our database of 3D clinical data covers a broader spectrum of cases. When we first introduced our 3D ACT solutions, we were selective on the application of 3D ACT solutions and focusing only on high-end markets, such as reconstruction and revision surgeries to maximize the value of 3D ACT solutions to customers of our high-end products. This is because we primarily market our products to high-end market by highlighting their advanced technologies and building our reputation among influential surgeons and hospitals, which allows us to charge a high premium, while we compete in mass market by price-performance ratio, charging lower prices than the counterparts produced by international brands. In 2014, 2015, 2016 and the six months ended June 30, 2017, 97, 312, 473 and 1,205 surgeries have been performed using our 3D ACT solutions, respectively. Considering that our 3D ACT solutions have been rolled out for approximately three years, and that our database has collected 3D clinical data from more than 2,000 surgeries, we intend to ramp up the application of our 3D ACT solutions in both the high-end and mass markets.

We plan to further ramp up the application mainly through word-of-mouth marketing by hospitals and surgeons who have used our 3D ACT solutions to other hospitals and surgeons, and our sales and marketing team. Specifically, we plan to launch marketing campaigns and provide training programs to surgeons to introduce the innovative features of our 3D ACT solutions and promote the general awareness of the benefits of personalized orthopedic surgical solutions. We also intend to work with hospitals and surgeons on publishing case studies on the successful application of our personalized orthopedic surgical solutions in well-known industrial periodicals.

Capitalizing on the growing underlying 3D clinical data in our database and proprietary 3D-printing technologies, we plan to expand the application of our 3D ACT solutions into other orthopedic sectors. In the long run, we also plan to further develop value-added services, including analyzing 3D-imaging data, formulating surgical plans via our PTIP system and providing 3D-printed models of areas of disease, personalized surgical instruments and 3D-printed orthopedic implants. This would not only distinguish ourselves from our competitors, but would also enhance our brand recognition and increase our revenue base.

Expanding the breadth of our product portfolio into newly-captured orthopedic product market sectors.

We believe there is significant potential for growth in the spinal and other orthopedic product markets sectors, such as bone tumor, trauma, oral and maxillofacial orthopedic products.

We also believe our extensive experience in hip and knee replacement implants, R&D capabilities and extensive customer base make us well-positioned to further expand our market presence in the spine replacement implant market and capture the opportunities in other orthopedic product market sectors. The technologies involved and the relevant production procedures for orthopedic joint implants are transferrable to other orthopedic products. Leveraging our advanced 3D-printing technologies, we expect to capture various opportunities in the substitution of off-the-shelf products by 3D-printed products in the areas to which our technologies cater. In particular, with our capability for precision construction, our strategy is to begin with high-margin and high-growth products with high technology requirement when entering into a new market.

In addition, the successful integration of our PTIP with our 3D-printing technologies to develop our 3D ACT solutions set the foundation for the effective development and commercialized application of our personalized orthopedic products, which we believe would further improve the offerings we have under our 3D ACT solutions. Personalized spine replacement implants, bone tumor implants, post-trauma bone defects revision implants, oral and maxillofacial orthopedic products could bring immense benefits to the surgeons, patients and hospitals that off-the-shelf products cannot offer. For this reason, we believe we could achieve similar success within these orthopedic product market sectors without having to overhaul our business model or production process.

We have a dedicated team focusing on the development of premium spinal, bone tumor, post-trauma bone defects, oral and maxillofacial orthopedic products, and have built up our product pipeline. We aim to launch two additional spine replacement implants for the treatment of, including but not limited to, post-trauma bone defects and bone tumors by 2020.

Explore strategic acquisition and alliance opportunities.

We actively seek suitable opportunities for strategic acquisitions or alliances in the orthopedic product market in China and overseas to grow our business, expand our product and service offerings, strengthen our R&D and strengthen our market position. We believe there are ample acquisition and alliance opportunities that could complement our existing product portfolio, technology and business growth. In particular, we plan to target companies that have CFDA registration certificates or related technologies for products that we do not currently produce but plan to develop, such as bone tumor, trauma, oral and maxillofacial orthopedic products. We are also looking for targets offering CFDA-registered off-the-shelf spine products to be used in conjunction with our 3D-printed spinal interbody cages and artificial vertebral bodies, thus to achieve synergies. We also take into account the size of potential target in our selection and believe that targets valued at US$50 million or less best fit our business scale. We will also consider acquiring or collaborating with other orthopedic implant companies whether in China or overseas if their growth prospects, product pipeline and profitability are sufficiently attractive. As of the Latest Practicable Date, we had considered several potential targets in Europe but discussions remain preliminary and we had not entered into any agreements or understanding, whether formal or informal, to acquire any potential target or entered into any strategic alliance with other parties.

OUR PRODUCT PORTFOLIO AND SERVICES

We design, develop, produce and market orthopedic implants and related products, with a focus on hip and knee replacement implants. In addition, we developed and rolled out our spinal interbody cages and artificial vertebral bodies in 2016. We also market and distribute orthopedic products produced by third parties where those third-party products complement our product offerings to our customers. The following table sets forth a breakdown of our revenue by product type for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in thousands of RMB, except percentages)									
Off-the-shelf products										
Knee replacement implants	45,566	30.7%	60,567	29.4%	83,008	30.7%	35,418	30.7%	47,417	29.2%
Hip replacement implants[1]	92,734	62.5	132,692	64.4	158,871	58.7	69,062	59.9	94,594	58.2
3D-printed products[2]	–	–	1,060	0.5	12,131	4.4	3,004	2.6	9,777	6.0
Third party orthopedic products	9,013	6.1	9,148	4.4	10,785	4.0	5,292	4.6	6,893	4.2
Others[3]	965	0.7	2,697	1.3	5,982	2.2	2,571	2.2	3,836	2.4
Total	148,278	100.0%	206,164	100.0%	270,777	100.0%	115,347	100.0%	162,517	100.0%

(1) Excluding 3D-printed hip replacement implants.

(2) Including our 3D-printed hip replacement implants, spinal interbody cages and artificial vertebral bodies.

(3) Others include primarily surgical instruments and medical irrigators.

3D-Printed Products

We believe 3D-printing technologies will redefine orthopedic implants and surgeries. By applying 3D-printing technologies, we can produce complicated orthopedic implants.

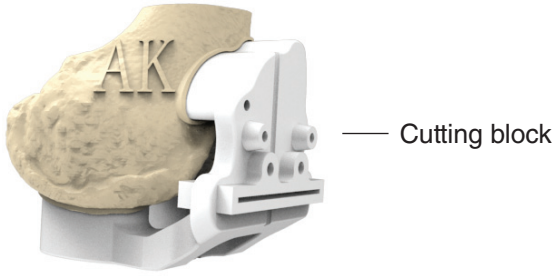
3D-printing is a precise production technology that can produce orthopedic implants that match the complexity of natural joints, allowing for better biological fusion of bones and prosthesis, which is particularly suitable for patients who are physically active. For example, an orthopedic implant with trabecular structure is generally considered to have better biological fixation compared to an orthopedic implant without trabecular structure. This is due to the high porosity of trabecular structure which allows for easy bone ingrowth around and with the porous surfaces. 3D-printing technologies can increase porosity by controlling the structure and surface of an orthopedic implant to an extent that traditional production methods cannot. We employ the latest electron beam melting method in our 3D-printing production process.

Both our off-the-shelf products and 3D-printed products are regulated by the CFDA and are subject to similar requirements for obtaining CFDA approval. We currently have three types of CFDA-approved 3D-printed products, including 3D-printed hip replacement implants, 3D-printed spinal interbody cages and 3D-printed artificial vertebral bodies, being the first and only 3D-printed orthopedic implants approved by the CDFA as of the Latest Practicable Date. In August 2015, our 3D-printed hip replacement implant was approved by the CFDA. It is used with highly crosslinked polyethylene liner, ceramic head and biologically fixed femoral stem to form an integrated prosthetic hip system. We launched our first spine replacement implant in August 2016. Our spine replacement implants include spinal interbody cages and artificial vertebral bodies, both of which are 3D-printed products with similar elasticity modulus as cancellous bone providing biocompatibility and primary stability. Our spine replacement implants are primarily used for treatment of spinal tumors, spinal tuberculosis, degenerative spinal diseases and trauma.

In addition, we have 3D-printed surgical instruments that are used in conjunction with our implant products in surgeries as an integral part of our personalized 3D ACT solutions. The following graphics illustrate our 3D-printed products and 3D-printed surgical instruments.

3D-printed hip replacement implants

3D-printed surgical instruments



3D-printed spine replacement implants

Spinal interbody cages

Artificial vertebral bodies

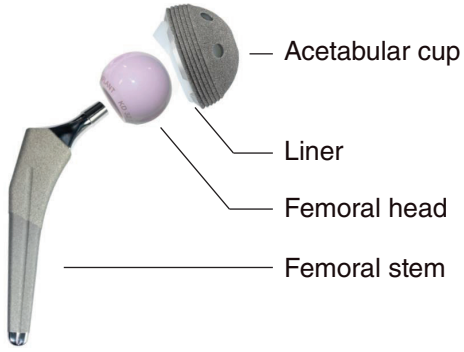
3D-printing is a computer-controlled production process, which forms an object with successive layering of materials in accordance with a 3D model or other electronic data source. Therefore, 3D-printing could create objects of almost any shape and can match a patient's unique anatomy. Our current 3D-printed products are not produced based on specific individual patient's anatomy. Similar to our off-the-shelf and 3D-printed products, personalized 3D-printed implants are subject to CFDA approval and similar requirements thereunder. We are still awaiting CFDA approval for our personalized implants and accordingly, we have not yet produced or marketed on a commercial basis, personalized 3D-printed implants.

Off-the-Shelf Products

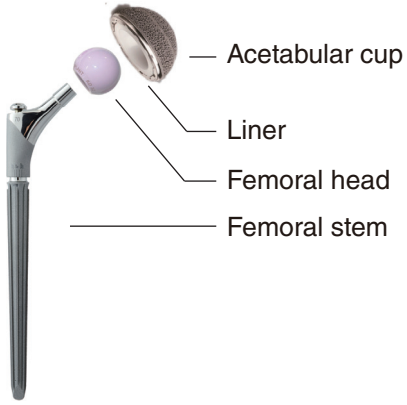
Hip Replacement Implants

We offer a comprehensive range of off-the-shelf hip replacement implants. They are total hip systems which replace both the head of the femur and the socket portion of the pelvis (acetabulum) of natural hips. Our hip replacement implants are primarily used for treatment of osteoarthritis, rheumatoid arthritis and other diseases. Our off-the-shelf hip replacement implants cover primary surgeries and revision surgery implants. Different parts of hip replacement implants are combined as a hip replacement implants system. The following graphics illustrate an example of hip replacement implants system for primary and revision surgeries, respectively.

Primary surgery



Revision surgery

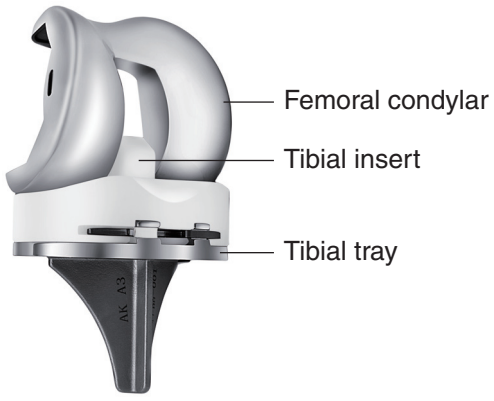


Our off-the-shelf hip replacement implants primarily include: MP biological femoral stem, ML biological femoral stem, ACP cemented femoral stem, SR biological femoral stem, MR biological femoral stem, SL biological femoral stem, CL biological femoral stem, acetabular prosthesis, metal femoral head, ceramic head, bipolar hip rebuild system-cup form and hip rebuild system-ring form.

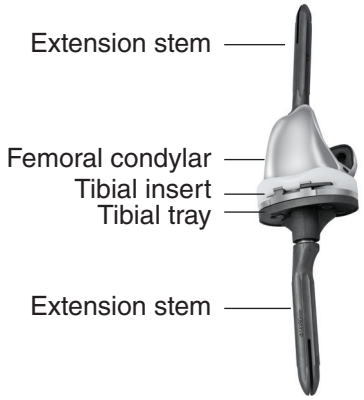
Knee Replacement Implants

We have over 13 years of experience in designing and developing our own knee replacement implants for primary surgeries, revision surgeries and complicated cases. Our knee replacement implants for primary surgeries are total knee systems that generally include a femoral condylar, a patella, a tibial insert and a tibial tray. Our knee replacement implants for revision surgeries generally include femoral condylar, a tibial insert, a tibial tray and certain extension stems. They are primarily used for treatment of osteoarthritis, rheumatoid arthritis and other diseases. The following graphics illustrate an example of knee replacement implants system for primary and revision surgeries, respectively.

Primary surgery



Revision surgery



Our knee replacement implants primarily include: A3 Total Knee Replacement, JPX Total Knee Replacement, ACCK Revision Total Knee Replacement, and A3 GT Total Knee Replacement.

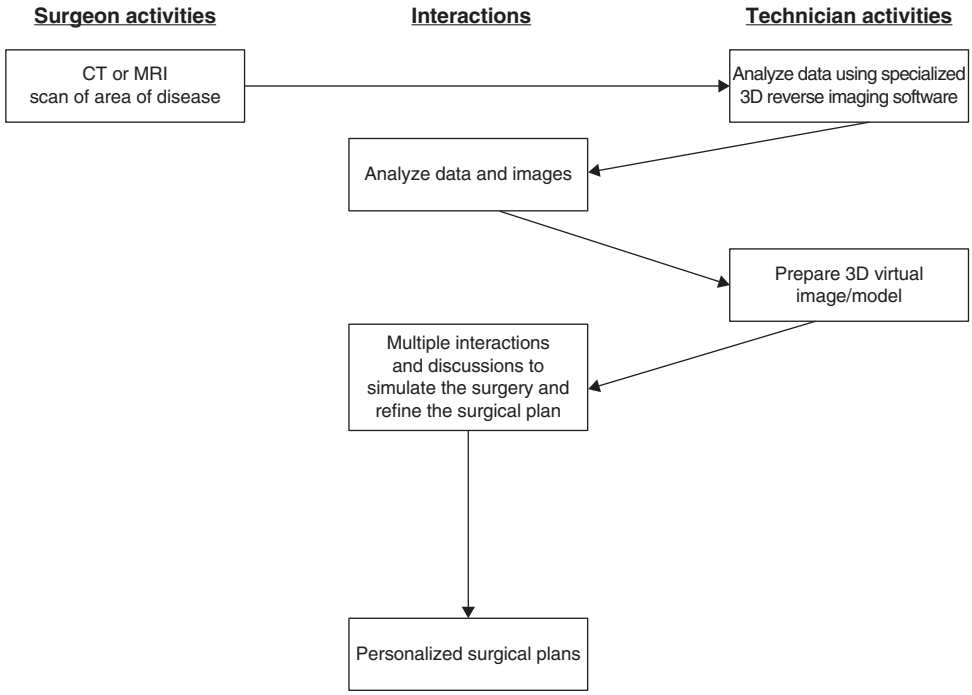
3D ACT Solutions

We developed and introduced our innovative personalized 3D ACT solutions in July 2014. In traditional clinical practice, surgeons rely on very limited information obtained from medical imaging technology and choose the size and shape of the orthopedic implants from a limited selection of off-the-shelf products during the surgical process. During surgeries, surgeons rely on

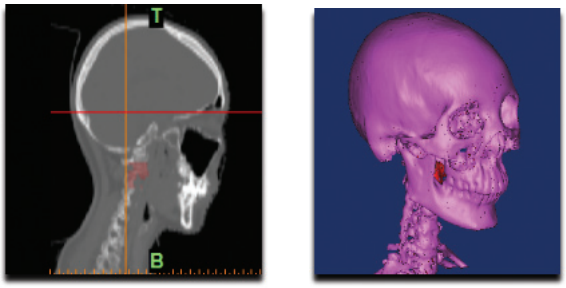
their experience to cut, remove and fix bones, tissues and cartilage to fit the patients' unique anatomy to the implants, rather than modeling the implants to fit the patients. Our 3D ACT solutions integrate our PTIP with our technologies to produce 3D-printed and/or off-the-shelf surgical instruments and implant products, which provides surgeons the appropriate solutions in surgery planning and execution. With the support of our large and growing database of 3D clinical data, our 3D ACT solutions can map out patients' unique anatomy using 3D-imaging and 3D-modeling technologies, print models of the affected bone areas using 3D-printing machines, transfer data to surgeons' computers, help surgeons and patients to choose the most suitable orthopedic implants, design precise surgical plans and generate surgical simulations. After the surgical plan is finalized, we will provide the 3D-models of the patient's affected bone area, produce personalized surgical instruments, such as surgical guides, and 3D-models of the joint implants to be used for the surgery, all with our 3D-printing machines, allowing surgeons to practice before the actual surgeries take place. Our 3D ACT solutions are well-received by the medical community. Hospitals participating in the system increased from 36 in 2014 to 258 in the six months ended June 30, 2017. Of the 258 hospitals, 165 were Class III hospitals, covering 26 provinces, municipalities and autonomous regions in China.

PTIP

Our PTIP primarily consists of software platforms featuring in image processing and transmission and instant messaging applications that facilitate the communication between surgeons and our technicians, integrated with our clinical database and data analysis software. Currently, our PTIP is provided as a complimentary service as a part of our personalized 3D ACT solutions, and we do not have a plan to charge extra fee for the usage of our PTIP itself in the near future. Our technicians first analyze data collected from CT or MRI scanning using specialized software, and construct 3D images and 3D models to provide surgeons with detailed information through virtual simulation and physical modeling for individual patients. The following diagram illustrates the principal stages of our PTIP:

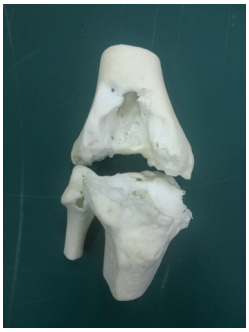


- *3D-imaging and 3D-modeling*: The use of our 3D ACT solutions starts when the surgeon orders a standard CT or MRI scan of the patient's area of disease and transmits the images through our PTIP platform to our technicians. Using specialized computer software, our technicians analyze these images with the surgeon and generate a 3D virtual simulation to map the articular surfaces of the joint and construct the imaging data into a 3D model of the joint, presenting the surgeon with a virtual representation of the patient's area of disease. The illustrations below provide an example of converting scanned image to a 3D image through our PTIP.

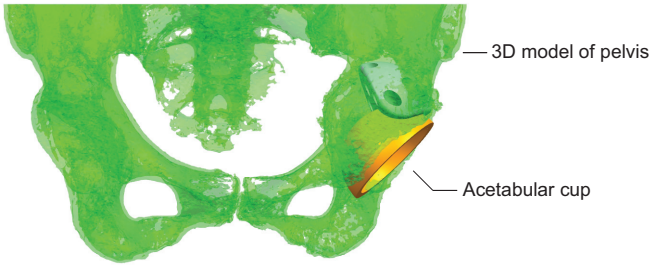


Scanned image → 3D imaging and modeling

- *Printing a model*: To facilitate the surgeon's study of the area of disease and his communication with the patient, we may produce a model of the patient's area of disease as desirable based on the 3D model we generated using our 3D-printing machines. The following picture provides an example, which is a 3D-printed model of a patient's defective knee.



- *Formulating a personal surgical plan and surgical simulations*: In our database of 3D clinical data, surgeons and our technicians can search similar precedent cases, discuss the surgical plan, including the exact surgical steps to be taken and the specifications and measurements of the personalized surgical instruments, such as surgical guides, that will be used in the surgery and run surgical simulations. As the surgeries have been well-simulated and formulated through our PTIP, the surgeons can more easily and more quickly complete the actual surgical procedures. This is partially because the model and size of the surgical instruments and implants can be accurately determined prior to the surgery, as opposed to the conventional procedure where they are determined during the surgery. Furthermore, the 3D images, 3D models and other clinical data available in our database enable the surgeons and technicians to leverage experience from past cases recorded in the database. The following picture illustrates the simulation of a hip replacement implant surgery.



Distribution of Third Parties' Orthopedic Products

As a complement to our product portfolio, during the Track Record Period, we also sold and distributed in China third-party orthopedic products, including hip replacement implant, bone cement and rotating platforms for knee replacement implants. Bone cement and rotating platform products are frequently used by our customers together with our own products. By entering into these arrangements with the relevant third parties, we are able to provide our customers with more comprehensive product offerings. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our revenue from distributing third party orthopedic products were RMB9.0 million, RMB9.1 million, RMB10.8 million, RMB5.3 million and RMB6.9 million, respectively, representing 6.1%, 4.4%, 4.0%, 4.6% and 4.2% of our revenue, respectively.

PRODUCT PIPELINE

As of the Latest Practicable Date, we had four products, including two hip replacement implants, one knee replacement implant and one spine replacement implant, in the post-clinical trial stage, one 3D-printed knee replacement implant in the clinical trial stage and one 3D-printed spine replacement implant pending pre-clinical trial approval. From 2018 to 2020, we plan to launch six new products, including our 3D-printed knee replacement implants. The following table sets forth certain information about these products:

Product name	Application	Current status	Feature	Expected launch date
Hip Prosthesis-Biological Acetabular System	Suitable for hip replacements for the treatment of (1) noninflammatory degenerative joint diseases, including osteoarthritis and avascular necrosis; (2) rheumatoid arthritis; (3) functional deformity correction; (4) nonunion of proximal femur (including femoral head); (5) femoral neck fracture and (6) femoral intertrochanteric fractures	Trial completed; ready to file application for CFDA registration	Mental acetabula with coating sintering of titanium beads Combinations of cup and liners providing various interface	First quarter 2018
AK Combined Replacement System .	Suitable for primary and revision surgeries for treatment of bone defects of knee joints resulting from bone tumors or other causes	Application for CFDA registration filed; in process of providing supplemental materials	Modular rotating hinge knee prosthesis	Fourth quarter 2018

Product name	Application	Current status	Feature	Expected launch date
Vertebral Plate Fixation Plate	Suitable for laminoplasty for the treatment of spinal stenosis caused by ossification of posterior longitudinal ligament or developmental spinal stenosis, among others	Application for CFDA registration filed; pending approval	Made of pure titanium material with filling blocks of electron beam melting production additions	Fourth quarter 2018
Hip Prosthesis-Biological Femoral Stem	Suitable for hip replacements for the treatment of (1) noninflammatory degenerative joint diseases, including osteoarthritis and avascular necrosis; (2) rheumatoid arthritis; (3) functional deformity correction; (4) nonunion of proximal femur (including femoral head); (5) femoral neck fracture and (6) femoral intertrochanteric fractures	Trial completed; ready to file application for CFDA registration	Coating sintering of titanium beads Mini design to preserve relatively large amount of bone mass	First quarter 2019
TMK Knee Prosthesis.	Suitable for (1) sophisticated primary surgeries and (2) revision surgeries for treatment of severe bone defects of knee joints	Clinical trial	3D-printed	2019
Self-Stabilizing Artificial Vertebral Body	Plate for bone ingrowth suitable for treatment of (1) bone tumors; (2) fractures; (3) biomechanical integrity restoration after resection of vertebra or vertebral bodies; (4) loss of vertebral heights resulting from damages to vertebral bodies; (5) pseudoarthrosis and (6) previous fusion failures	Pending pre-clinical trial approval	3D-printed Self-locking Reduced need for bone, tissue and cartilage removal	2020

Similar to our off-the-shelf and 3D-printed products, personalized 3D-printed implants are subject to CFDA approval and similar requirements thereunder. However, as of the Latest Practicable Date, the CFDA has not approved any personalized orthopedic implants and we are unable to predict when our personalized 3D-printed implants will obtain CFDA approval in China. Accordingly, we do not have any visibility on when we will be able to commercialize the production and sale of personalized 3D-printed implants.

RESEARCH AND DEVELOPMENT

We believe our success is largely attributable to our strong R&D capabilities and our continued commitment to R&D efforts. These efforts have contributed to our ability to continuously develop and bring to market new products and have played a key role in our rapid growth. We actively work on developing new products and production technologies and upgrading existing products and services. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our R&D expenses were RMB15.5 million, RMB18.9 million, RMB20.4 million, RMB8.3 million and RMB17.9 million, respectively, representing 10.5%, 9.2%, 7.5%, 7.2% and 11.0% of our revenue, respectively.

We had an internal R&D team consisting of 42 members as of the Latest Practicable Date. As of the Latest Practicable Date, average work experience of our internal R&D team members with us was 4.6 years. Over 85.7% of our internal R&D team members had educational backgrounds in related areas such as mechanical engineering, healthcare and medicine, mechanics and material science, 76.2% had undergraduate or higher educational backgrounds and 42.9% had graduate or higher educational backgrounds as of the Latest Practicable Date. Furthermore, ten out of 42 members of our internal R&D team have engineer qualifications and two have mechanic qualification. In addition, our chief engineer has over seven years' experience in the application of 3D-printing technologies to orthopedic products. Our director of research center has over 10 years of R&D experience in orthopedic implants.

We are committed to recruiting new talent to join our R&D team. We attend campus recruitment events on a regular basis to recruit qualified outstanding graduates. We also seek to hire R&D personnel with experience in the relevant fields. We attract new R&D talent by offering competitive compensation packages, career development opportunities and trainings designed to enhance their skills and technical knowledge.

In January 2017, we entered into a five-year framework agreement (the "**Framework Agreement**") with Peking University Third Hospital regarding our strategic cooperation in the research and application of orthopedic products. The cooperation aims at facilitating the utilization of the products and patents resulting from previous joint research projects and supporting the on-going joint research projects relating to 3D-printed orthopedic implants. Pursuant to the Framework Agreement, we committed to invest RMB10 million in the five-year period from 2017 to 2021 to (i) set up a special fund for the theoretic and clinical research of the medical application of 3D-printing technology; (ii) facilitate the utilization of the products and patents resulting from previous joint research projects; and (iii) support the ongoing joint research projects related to 3D-printed orthopedic implants. We will be the sole proprietor of any CFDA-approved products (including the registration certificates and relevant revenue) attributed to the above joint research projects.

As of the Latest Practicable Date, our R&D activities had yielded 36 invention patents, 140 utility patents and two patents under the PCT. We also had 134 pending invention patents, 77 pending utility patents and six pending patent applications filed under the PCT. We had obtained 26 CFDA registration certificates for Class III medical devices. We also have eight on-going applications for registration approval by CFDA or its local counterpart.

R&D Model

We are broadening our offerings in each of our product categories and exploring new technologies with possible applications in multiple areas. We carefully select the direction of our R&D efforts and potential new products based on the following:

- *Industry conferences*: We regularly attend international conferences on the orthopedic product market and orthopedic medical practices to stay abreast of industry trends. This puts us at the forefront of recent developments in the relevant fields and allows us to adjust our R&D strategies in accordance with industry trends.

- *Feedback from surgeons*: We also actively collect feedback and data from surgeons at our hospital customers and look for ways to potentially improve the functionalities of our products. We believe this is an effective way to quickly respond to the changing demands of our end customers. Leveraging our large sales volume, extensive hospital coverage and a track record that spans over 13 years, we have established a database that has extensive data on Chinese patients based on feedback and data collected from surgeons, including those derived from pre-surgery planning, surgeries and post-ops monitoring.

- *Our own experience*: With our long and successful track record in the orthopedic implant market, we have accumulated extensive experience and technical know-how relevant to our business. Our senior management and R&D team members are industry experts and have a solid grasp on industry trends based on which they design our R&D strategies.

R&D Approach and Process

To maximize the effectiveness of our R&D efforts, we adopt different approaches for designing and developing different products. For self-conducted R&D, our R&D process includes:

- *Initial design*: At the initial stage of our development of a brand new product, we focus on utilizing our experiences and technical know-how from similar products to form the basic design and functionalities of the new products. The key at this stage of development is to design and develop a prototype for clinical trial and for registration with CFDA and government authorities in overseas markets.

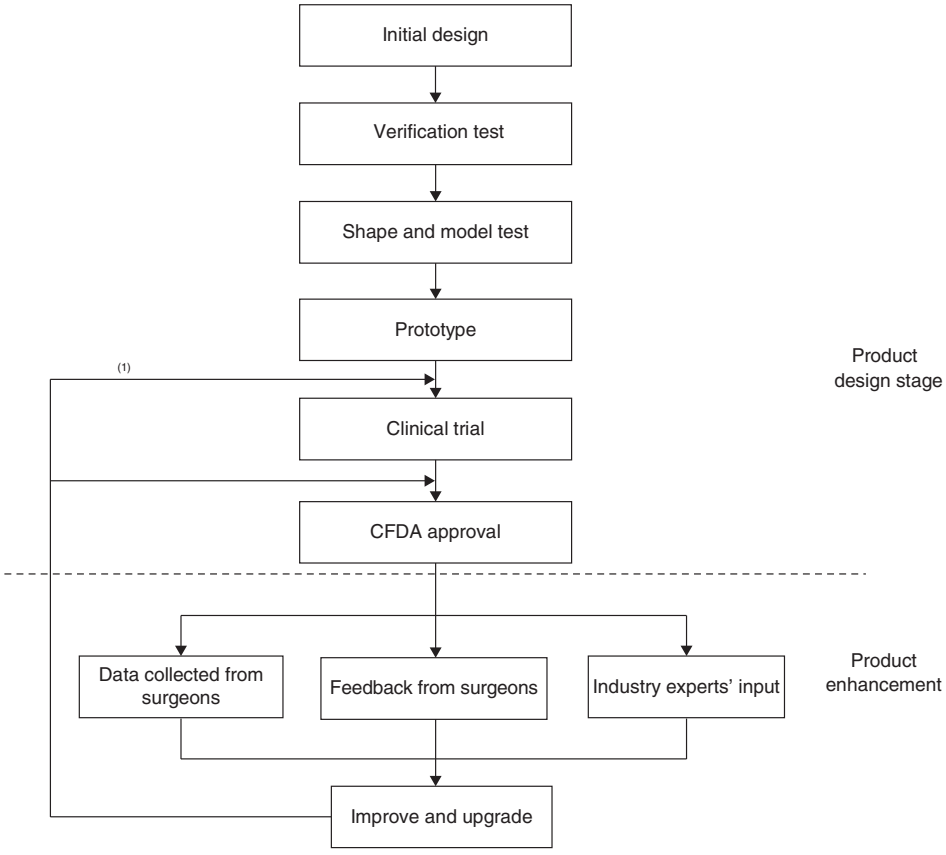
- *Product Enhancement*: Once we have designed a product prototype and have obtained governmental approval for production and sale, we focus on improving the functionalities of the product. These product enhancement activities are often carried out throughout the life of such product. At this stage, we rely heavily on the joint efforts between our R&D team and external experts including surgeons at our hospital customers and industry experts in the following areas:

    - *Data collection*: Surgeons have first-hand experience using our products on patients and are our direct and primary source for collecting clinical data. Our sales and marketing team is responsible for liaising with surgeons for data collection from surgeries and post-ops monitoring, which our R&D team will carefully study for potential areas of improvement.

    - *Discussion with surgeons*: To fully understand their surgical demands, our sales and marketing team conducts periodic discussions with surgeons at our hospital customers and seek their feedback on our products and potential areas of improvement. They relay this information to our R&D team to improve and upgrade our products.

- *Consulting industry experts*: We have established a network of 15 external industry experts, who we regularly consult for product development. They provide us with valuable advice on industry trends and how we could develop and improve our products to meet changing market demands.

The diagram below illustrates the process for our self-conducted R&D:



(1) Clinical trial is required for product enhancement if there is any material modification to the product.

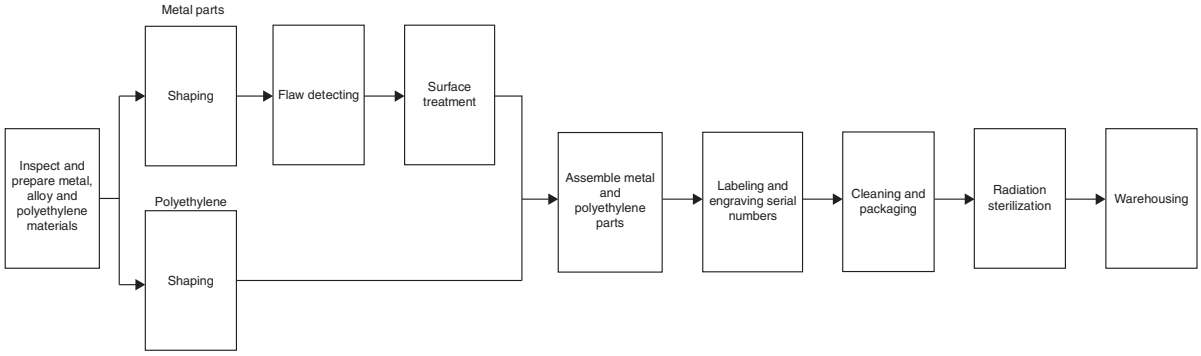
To supplement our self-conducted R&D, we strategically select certain fields that we believe represent the future of the orthopedic product market and have significant growth potential for joint R&D with academic and clinical institutions. These joint R&D activities often involve fundamental and significant changes to our existing products. We enter into cooperation agreements with our research partners typically for a term of one to five years. Under the terms of the cooperation agreements, we are primarily responsible for the funding of the research, overall planning and management and provision of materials, equipment and facilities, and our research partners are primarily responsible for conducting R&D in accordance with our specifications. The relevant cooperation agreements generally set forth the ownership allocation of intellectual property created from the cooperation. For the most significant joint R&D cooperations we have entered into, such as those with respect to 3D-printed hip replacement implants and the software for the PTIP, we were entitled under the relevant cooperation agreements to own the relevant intellectual property rights. Under the relevant cooperation agreements with our research partners, we are not required to share with our research partners the profits earned by us as a result of the research results with our research partners.

PRODUCTION

Production Process

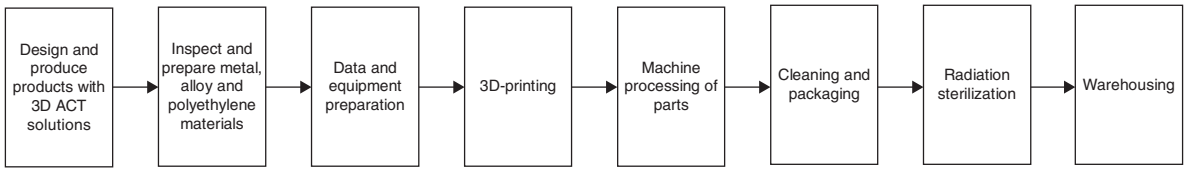
The following diagram illustrates the production process for our major products:

Off-the-Shelf Products



- *Shaping*: Using precision lathing, milling and machining to shape the parts
- *Flaw detecting*: Using fluorescent flaw detectors to detect microcracks
- *Surface treatment*: Using sandblasting, hydroxyapatite coating or microporous to treat the surface

3D-Printed Products



- *Data and equipment preparation*: Preparing and inputting the 3D-modeling data into the 3D-printing machine
- *3D-printing*: Using the latest electron beam melting method to produce 3D-printed products in one piece and form trabecular structure, if necessary

Production Facilities

Our production facilities are located in Beijing, China. Our production facilities occupy a total gross floor area of 5,321 sq. m. We design, develop and produce all our surgical instruments and orthopedic implants in-house in our production facilities, other than certain production procedures for certain products, such as surgical instruments which we outsource to third parties. The following table sets forth our production capacity, production volume and utilization rate of our off-the-shelf products for the periods indicated:

		Knee Replacement Implants	Hip Replacement Implants[5]	Total
Year ended December 31, 2014	Production capacity[1][2]	7,800	56,000	63,800
	Production volume[1]	8,783	31,785	40,568
	Utilization rate[3]	112.6%[4]	56.8%	63.6%
Year ended December 31, 2015	Production capacity[1][2]	21,000	58,000	79,000
	Production volume[1]	13,340	48,293	61,633
	Utilization rate[3]	63.5%	83.3%	78.0%
Year ended December 31, 2016	Production capacity[1][2]	28,000	74,000	102,000
	Production volume[1]	20,627	64,431	85,058
	Utilization rate[3]	73.7%	87.1%	83.4%
Six months ended June 30, 2017	Production capacity[1][2]	14,000	37,000	51,000
	Production volume[1]	10,868	29,645	40,513
	Utilization rate[3]	77.6%	80.1%	79.4%

(1) As our standard off-the-shelf orthopedic implant products are produced in the form of components, which are subsequently assembled by the hospitals, the production capacity and production volume are based on those of the core components of the off-the-shelf implant products. The core component for off-the-shelf hip and knee replacement implants are femoral stems and femoral condyle, respectively.

(2) The production capacity for off-the-shelf hip replacement implants is calculated based on production for 16 hours a day, being the standard operating hours for equipment used for producing off-the-shelf hip replacement implants, and 250 working days per year, or 125 working days per six months, respectively. For knee replacement implants, before 2015, certain key production processes for femoral condyle were not automated, and therefore the production capacity for knee replacement implants for 2014 was calculated based on production for eight hours a day, being the standard working hours of our workers, and 250 working days a year. We acquired certain equipment in 2015 and automated part of these production processes. Therefore, the production capacity for knee replacement implants for 2015, 2016 and the six months ended June 30, 2017 was calculated based on production for eight hours a day for workers and 16 hours a day, being the standard operating hours for equipment used for producing knee replacement implants, for equipment and 250 working days per year, or 125 working days per six months, respectively.

(3) Representing the percentage of the production volume to production capacity during the period.

(4) The utilization rate for knee replacement implants in 2014 exceeded 100.0% due to increasing market demand which resulted in our production workers working overtime from time to time.

(5) The calculation does not include production capacity for 3D-printed hip replacement implants.

The following table set forth our production capacity, production volume and utilization rate of our 3D-printed products for the period indicated:

		Hip replacement implant[3]
Year ended December 31, 2015	Production capacity[1][2]	3,000
	Production volume	1,363
	Utilization rate	45.4%
Year ended December 31, 2016	Production capacity[1][2]	6,000
	Production volume	5,407
	Utilization rate	90.1%
Six months ended June 30, 2017	Production capacity[1][2]	4,500
	Production volume	4,015
	Utilization rate	89.2%

(1) The production capacity for 3D-printed hip replacement implants is calculated based on production for 21 days per month. In 2015, 2016 and the six months ended June 30, 2017, one, two and three 3D-printing machine(s), respectively, were used to produce our 3D-printed hip replacement implants.

(2) Representing the percentage of the production volume to production capacity during the period.

(3) The calculation does not include production capacity for our 3D-printed spine replacement implants, the production volume of which was small during the Track Record Period.

The production capacity for our off-the-shelf hip replacement implants was stable in 2014 and 2015, and increased from 58,000 sets in 2015 to 74,000 sets in 2016 and 37,000 sets in the six months ended June 30, 2017, primarily because in 2016 (i) we had 14 digital controlled lathes compared to 13 in 2015 and (ii) we purchased raw materials with higher quality, outsourced the production of certain products to overseas contractors and optimized our production procedures, which improved our production efficiency. Driven by an increase in our sales volume, the utilization rate for our off-the-shelf hip replacement implants increased from 56.8% in 2014 to 83.3% in 2015, and further increased to 87.1% in 2016. Such rate decreased to 80.1% in the six months ended June 30, 2017, because we reduced the production of products of lower value to upgrade our product portfolio. The production capacity for our knee replacement implants increased significantly in 2015 when we automated certain production processes and installed two five-axis grinding machines to produce femoral condyle. As a result, the utilization rate for our knee replacement implants decreased from 112.6% in 2014 to 63.5% in 2015. The production capacity for our knee replacement implants increased from 21,000 sets in 2015 to 28,000 sets in 2016 and 14,000 sets in the six months ended June 30, 2017 because (i) we employed two additional workers in 2016 and (ii) the two five-axis grinding machines operated more efficiently after adjustment and testing for production in 2015, and the utilization rate for our knee replacement implants increased to 73.7% in 2016 and 77.6% in the six months ended June 30, 2017 as a result of an increase in our sales volume. As we expect the demand for our products to continue to increase, we acquired a parcel of land in Changzhou, Jiangsu Province, China to construct the Changzhou Facilities to expand our production capacity. See "—Changzhou Facilities".

Our production plants are equipped with machines owned by us, including 3D-printing machinery for producing personalized surgical instruments, computerized numerical controlled machine tools, surface processing equipment and other equipment for each stage of our production process. To our Directors' best knowledge, the life span of our production machines and equipment is around 10 years. We procure machines and equipment from time to time as required, and as of the Latest Practicable Date, most of our major machines and equipment have been in operation for less than 10 years. Based on our regular inspection and maintenance, our machines and equipment are in good condition. We did not experience any material or prolonged interruptions to our production process due to machinery or equipment failure during the Track Record Period.

Changzhou Facilities

In order to grow our business, we are in the process of expanding our production capacity by constructing the Changzhou Facilities, which will be located in the Changzhou Xitaihu Industry Park, Changzhou, Jiangsu Province, China. The Changzhou Facilities is expected to occupy a total gross floor area of 42,666 sq. m upon completion. We plan to produce all of our off-the-shelf products including orthopedic implants and surgical instruments at the Changzhou Facilities. After we relocate the production of all of our off-the-shelf products to the Changzhou Facilities, we plan to dedicate our existing production facilities in Beijing to the R&D and production of 3D-printed products. We decided to use the Changzhou Facilities to produce off-the-shelf products and have the production facilities in Beijing to focus on 3D-printed products primarily because (1) our R&D resources for 3D-printed products, including experts from renowned hospitals and our internal R&D staff, are all located in Beijing and are unlikely to be relocated to Changzhou; and (2) the space required to manufacture 3D-printed products is much less compared to that for off-the-shelf products, the production of which relies on economy of scale, and the Changzhou Facilities would be designed to optimize the production efficiency to achieve economy of scale. We expect that part of the Changzhou Facilities will have the necessary equipment installed and be ready for production by the second half of 2018.

We entered into an agreement and a supplemental agreement with Changzhou Xitaihu Industry Park Management Committee (常州西太湖科技產業園管理委員會) (the "**Changzhou Industry Park Committee**") in October 2015, along with a supplemental agreement entered into in December 2016, with respect to our investments in the Changzhou Facilities. Under the agreements, we committed to invest US$39.6 million worth of fixed asset investments and working capital injections. Working capital includes mainly expenses payable to constructors, laborers and other service providers in relation to the construction of the Changzhou Facilities. The Changzhou Industry Park Committee has agreed to transfer to us a parcel of land with a gross floor area of approximately 42,666 sq. m for no more than RMB22.4 million, after fulfilling all regulatory requirements.

We incurred capital expenditure of RMB5.6 million in total for the Changzhou Facilities, being the additions of property, plant and equipment of AK Medical Changzhou, in 2016. It is expected that we will incur capital expenditure of RMB38.7 million in total for the same purpose in 2017. We plan to construct the Changzhou Facilities in two phases. The first phase of construction of the Changzhou Facilities is expected to be completed by the first half of 2018 and the capital expenditure relating to such construction is expected to be RMB65.0 million. The second phase of construction of the Changzhou Facilities is expected to be completed by 2020 or later and the capital expenditure relating to such construction is expected to be RMB26.6 million. It is also expected that we would incur expenditures of RMB46.7 million on procurement of equipment to be used in the Changzhou Facilities, with expenditures of RMB3.5 million incurred in 2016 on the additions of plant and machinery of AK Medical Changzhou. Our working capital injection in relation to the construction of the Changzhou Facilities, being the net cash used in operating activities of AK Medical Changzhou, was RMB1.9 million in 2016, and is expected to be RMB10.7 million, RMB19.2 million, RMB34.1 million, RMB22.9 million and RMB12.8 million in 2017, 2018, 2019, 2020 and 2021, respectively.

A part of the Changzhou Facilities is in the preparatory stage for construction. We are in the process of applying for the necessary and relevant approvals, permits and licenses in order to commence expansion. We do not expect any legal impediments to obtaining the relevant approvals and licenses for the acquisition of the relevant parcel of land and the Changzhou Facilities.

We decided to construct the new facilities in Changzhou mainly because (1) the cost of land is much cheaper in Changzhou than in Beijing, (2) the Changzhou local government offered governmental support, including the provision of rent-free facilities to facilitate the preparation of our future operations in the Changzhou Facilities for a three-year term, and (3) the Changzhou Xitaihu Industry Park has a developed healthcare and medical device industry supply chain for off-the-shelf products, which can give us easy access to suppliers such as providers of molds and coating used in the production process of our off-the-shelf products and manufacturers of surgical instruments to be used in conjunction with our off-the-shelf products. For details of the rent-free lease in Changzhou, see "—Property—Leased Property—Habatun Village Property".

Our existing production facilities have an annual production capacity of 102,000 sets of off-the-shelf orthopedic joint implants in 2016. We expect that the Changzhou Facilities will reach a designed capacity of 150,000 sets of off-the-shelf orthopedic joint implants by 2021. We expect to reach this increased capacity gradually over time between the second half of 2018 and 2021. We currently expect the Changzhou Facilities to reach a production capacity of 22,500 sets of off-the-shelf orthopedic joint implants by the end of 2018. We determine our planned annual capacity based on the rapid growth of the orthopedic joint implant market in China and the historical growth of our sales and production volume.

According to Frost & Sullivan, the orthopedic joint implant market is a rapidly growing industry in China, growing at a CAGR of 13.9% in terms of revenue between 2012 and 2016. This growth has been driven mainly by China's growing number of patients, greater access to orthopedic joint surgery, improved affordability of orthopedic joint surgery and product innovation, which are expected to continue to be the main drivers for the growth of this market. See "Industry Overview—The Orthopedic Joint Implant Market in China". With the addition of the Changzhou Facilities, we believe we will be able to satisfy the growing demand from our customers, deepen our cooperation with customers through the development of new products, and improve our ability to attract and work with new customers. Revenue generated from sales of our off-the-shelf orthopedic joint implants, consisting of hip replacement implants and knee replacement implants, increased significantly from RMB138.3 million in 2014 to RMB241.9 million in 2016, representing a CAGR of 32.3%, which outpaced the growth of the overall orthopedic joint implant market in China. This was primarily because (1) we are a leading orthopedic joint implant company in China, and our brand name is widely recognized and trusted in the orthopedic joint implant market, (2) we have been able to regularly introduce to the market new products, enriching our product offerings and allowing us to penetrate the high-end sectors of the orthopedic implant market, (3) we have been able to benefit from the import substitution trend supported by favorable Chinese government policies in recent years and (4) our 3D ACT solutions enhance the user experience of surgeons and promotes the sales of our products. Based on the above, we believe we are well-positioned to achieve a higher growth rate than the overall orthopedic joint implant market in China. From 2014 to 2016, the production volume of our off-the-shelf orthopedic joint implants increased from 40,568 sets to 85,058 sets, and the utilization rate of our existing production facilities for off-the-shelf orthopedic joint implants increased from 63.6% to 83.4%, notwithstanding that our production capacity increased after we automated more production procedures. The production volume of our 3D-printed hip replacement implant increased from 1,363 pieces in 2015 to 5,407 pieces in 2016, and the utilization rate of our existing production

facilities for 3D-printed hip replacement implant increased from 45.4% to 90.1% despite the one additional 3D-printing machine we allocated to production in 2016. Based on the above, we estimate that, without taking into account the Changzhou Facilities, our existing production facilities will not be able to accommodate demand for our products in the foreseeable future. With the increased production capacity from the Changzhou Facilities, we will be able to further increase the sales of our orthopedic joint implants by accepting more purchase orders from an increasing number of customers.

We currently plan to market and distribute the products to be produced in the Changzhou Facilities through our existing nationwide distribution network. In addition, during the Track Record Period, our distributors have increased rapidly from 409 at the beginning of 2014 to 650 as of June 30, 2017. With the expected growth of the Chinese orthopedic joint implant market and our established position as a market leader and brand recognition, we believe we will be able to further expand our distribution network as our production capacity increases. We will continue to work with quality suppliers to secure principal raw materials for production in the Changzhou Facilities, and ensure that all suppliers satisfy our criteria. We also believe that the main raw materials used for our production can be sourced in the market. We also plan to adopt the same quality control system, which has proved successful in the past, for our future production in the Changzhou Facilities. Going forward, we will continue to recruit qualified quality control personnel to bolster our quality control team in the Changzhou Facilities. We plan to relocate our production management personnel from our existing production facilities to the Changzhou Facilities since we believe they are key to our current production processes and would ensure a smooth transition to, relocation to, and future production in, the Changzhou Facilities. We plan to recruit production workers locally and draw experience from our current training programs to prepare them for production.

Based on the above, our Directors are of the view that (1) our expansion plan is feasible, (2) there is sufficient demand for the products to be produced at our Changzhou Facilities and (3) we would be able to successfully manage the growth in our production capacity.

Assuming part of the Changzhou Facilities will have the necessary equipment installed and be ready for production by the second half of 2018, the demand for our products grows as expected, the gross margin of our major products remains stable and there are otherwise no unexpected events that have a material adverse effect on our business, we expect that the first breakeven year for the Changzhou Facilities, being the first year for which revenue would be at least equal to operating expenses, to be 2019 or 2020, and the payback period for the Changzhou Facilities, being the period of time required for the aggregate cash inflows from operating activities to fully cover the aggregate investment cost, to be 2021 or 2022.

As a result of our expansion plan, we expect that our revenue and our gross profit would increase as our business grows, assuming that we will be able to increase our sales volume. We also expect that the increase in production capacity and volume with the establishment of the Changzhou Facilities will have a positive effect on our gross margin in the long term due to economies of scale. The additional depreciation of property, plant and equipment and amortization of leasehold land to be incurred in connection with the Changzhou Facilities is expected to have a negative impact on our profit. Such additional depreciation is expected to be approximately RMB3.2 million for the first full year of commercial production based on the aggregate capital expenditure of RMB95.9 million incurred in 2016, 2017 and 2018. Therefore, our Directors are of the view that our expansion plan in Changzhou would not have any material adverse impact on our results of operations in the near term.

We expect to finance the capital expenditure in relation to the acquisition of the relevant parcel of land and the construction of the Changzhou Facilities with the proceeds from the Pre-IPO Investment and net proceeds to be received from the Global Offering.

Production Outsourcing

We currently outsource surface treatment of certain of our newly developed products, such as femoral stems and acetabular cups, to two contractors located in the United Kingdom and Italy, respectively. Producing these products in-house would require new production technologies and additional equipment. We initially outsourced certain procedures because we did not reach the appropriate production scale for these new products and have maintained relationships with our contractors ever since. To ensure product quality, we have carefully chosen our contractors. Our contractors are internationally renowned and are capable of meeting high-quality standard requirements. We also outsource the production of certain surgical instruments that are ancillary products to our orthopedic joint implants to five manufacturers in China. These surgical instruments are Class I medical devices the production of which does not require our core production know-how. In accordance with the relevant laws, we are liable to our customer for the obligations of contractors. We conduct regular inspections on the works of the contractor to ensure they comply with the relevant laws and regulations.

We have entered into two agreements with our contractor in the United Kingdom to perform surface treatment for our femoral stems and acetabular cups. Under these agreements, the contractor carries out surface treatment processes in accordance with our specifications, and purchases, handles and stores the materials for the surface treatment. If the processed products do not meet our specifications or if there are any defects, we are entitled to notify the contractor of such defect and require the contractor to refund any payments made relating to the relevant products or replace the relevant products within 45 working days, at the cost of the contractor. The contracting fees payable by us are determined based on the model and the actual number of products processed. The contractor will issue an invoice to us upon delivery of the processed products and we make payment within 30 days after the date of the invoice. The initial term of one agreement is five years, and the initial term of the other agreement is 44 months, both of which are renewed automatically until either party terminates the agreements by giving the other party not less than six months' written notice. In 2015, 2016 and the six months ended June 30, 2017, purchases from our contractor in the United Kingdom were RMB6.1 million, RMB7.3 million and RMB11.4 million, respectively.

We have entered into an agreement with our contractor in Italy for surface treatment of some of our work-in-progress, including femoral stems and acetabular cups. Under this agreement, the contractor performs the coating process in accordance with our specifications on our work-in-progress. The contracting fees will be determined based on the quantity of products that the contractor processes for us. In 2015, 2016 and six months ended June 30, 2017, the fee we paid to our contractor in Italy amounted to RMB0.3 million, RMB1.2 million and nil, respectively. We make full payment to the contractor upon completion of the coating process.

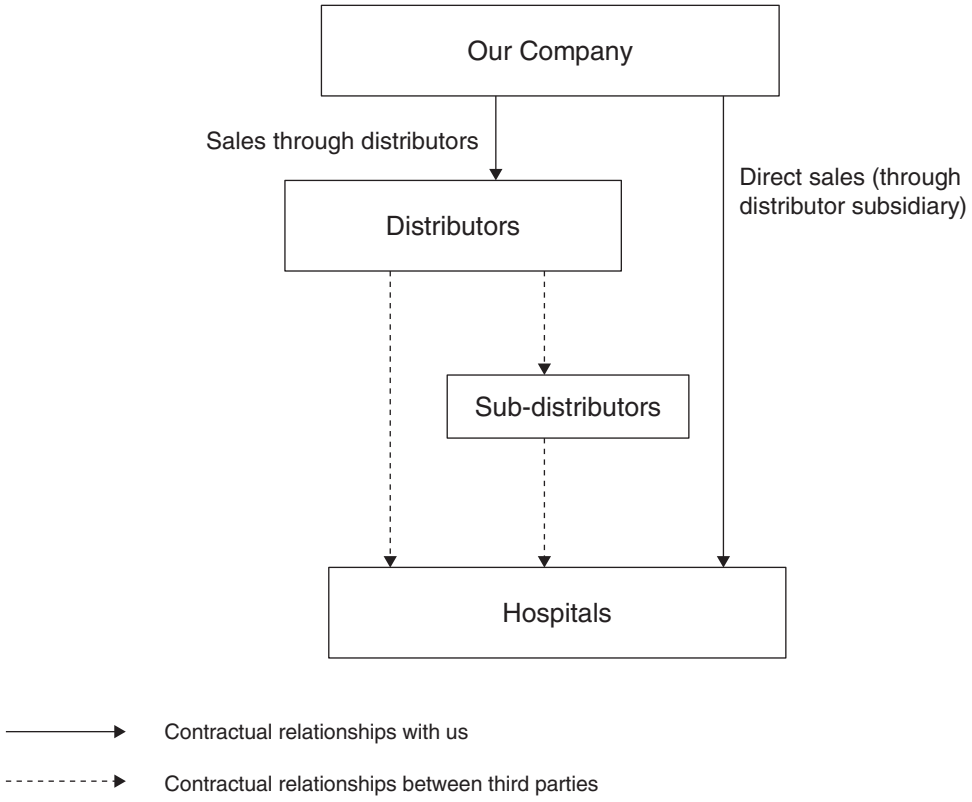
As of the Latest Practicable Date, we had maintained a business relationship of three years with both our contractors in the United Kingdom and Italy.

CUSTOMERS, SALES AND DISTRIBUTION

Sales Model

During the Track Record Period, most of our revenue was derived from our sales in China. We also export our products under our brand name "AK Medical" ("愛康"). In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our revenue from sales in China were RMB148.2 million, RMB203.2 million, RMB259.2 million, RMB112.5 million and RMB159.2 million, respectively, representing 99.9%, 98.6%, 95.7%, 97.5% and 98.0% of our total revenue, respectively. Our products are ultimately sold to hospitals for end consumption by their patients. These hospitals were mostly Class II and Class III hospitals in China during the Track Record Period. In 2017, more than 3,000 hospitals in China purchased our products, among which, more than 2,000 were Class II hospitals and more than 1,000 were Class III hospitals. Consistent with the market practice in China, we sell our products primarily to third party distributors across China, which in turn resell our products either directly to hospitals in their designated territories with our authorization or to sub-distributors for ultimate sales to hospitals. The ownership of products is transferred to distributors when our products are delivered to their premises and each of them has accepted the goods. We believe that the current distributorship model gives us access to the distributors' large existing customer bases around China, which enables our products to be distributed in a cost-effective manner whilst allowing us to focus more on our core strength of product development.

We also directly sell a portion of our products to hospitals through our wholly-owned subsidiary which holds the medical device business certificate. See "Regulation—Permit for Medical Device Operation Enterprises" for details of criteria and condition to obtain such certificate. We mainly maintain these direct sales to establish and maintain direct contact with certain key end hospital customers and surgeons. It keeps us close to the frontline of medical practice and the application of our products, enabling us to collect clinical data and feedback from surgeons, which helps us design new and upgraded products, and form new strategies to adjust to market demands. However, in order to maintain and expand the coverage of our sales network, we intend to continue to sell our products mainly through third party distributors. The following diagram illustrates our sales model as of the Latest Practicable Date.



We or our distributors need to participate in a public tender process to sell our products to the hospitals in the relevant region. During the Track Record Period, we generally participated in those public tender processes that were within the reach of our distribution network. In 2014, 2015, 2016 and the six months ended June 30, 2017, we were successful in 31, 28, 27 and 14 out of 32, 29, 28 and 14 tenders, respectively, representing a tender success rate of 96.9%, 96.6%, 96.4% and 100%, respectively.

The following table sets forth a breakdown of our revenue by sales channel for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in thousands of RMB, except percentages)									
Distributors	138,827	93.6%	195,654	94.9%	256,879	94.9%	110,103	95.5%	156,322	96.2%
Direct sales (through distributor subsidiary)	9,451	6.4	10,510	5.1	13,898	5.1	5,244	4.5	6,195	3.8
Total	148,278	100.0%	206,164	100.0%	270,777	100.0%	115,347	100.0%	162,517	100.0%

The following table sets forth a breakdown of our revenue by geographical regions for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in thousands of RMB, except percentages)									
China										
North China[1]	47,094	31.8%	61,039	29.6%	77,432	28.6%	30,747	26.7%	45,561	28.0%
East China[2]	44,002	29.7	61,633	29.9	67,301	24.9	27,206	23.6	38,240	23.5
South China[3]	7,053	4.8	10,555	5.1	11,161	4.1	5,666	4.9	11,582	7.1
Central China[4]	30,601	20.6	36,214	17.6	46,086	17.0	25,602	22.2	31,093	19.1
West China[5]	19,446	13.1	33,779	16.4	57,269	21.1	23,271	20.2	32,755	20.2
Overseas[6]	82	0.1	2,944	1.4	11,528	4.3	2,855	2.5	3,286	2.0
Total	148,278	100.0%	206,164	100.0%	270,777	100.0%	115,347	100.0%	162,517	100.0%

(1) Including the municipalities of Beijing and Tianjin, the provinces of Liaoning, Jilin, Heilongjiang, Hebei, Shanxi and the autonomous region of Inner Mongolia.

(2) Including the municipality of Shanghai, the provinces of Shandong, Jiangsu, Anhui, Zhejiang and Fujian.

(3) Including the provinces of Guangdong and Hainan, and the autonomous region of Guangxi.

(4) Including the provinces of Jiangxi, Henan, Hunan and Hubei.

(5) Including the municipality of Chongqing, the provinces of Sichuan, Yunnan, Guizhou, Shaanxi, Gansu and Qinghai, and the autonomous regions of Xinjiang and Ningxia.

(6) During the Track Record Period, we exported our products to 27 overseas jurisdictions through overseas distributors, including the United Kingdom, India, Mali, Ecuador, Kenya, the United States, South Korea, Thailand, Turkey, Indonesia, Pakistan, the United Arab Emirates, Fiji, Chile, Paraguay, Morocco, Singapore, the Philippines, Mozambique, Burkina Faso, Greece, Hong Kong, Nigeria, Argentina, Brazil, Malaysia and Guatemala. As of June 30, 2017, our overseas distributors covered 15 overseas jurisdictions as we did not export our products to the United Kingdom, Mali, Ecuador, Kenya, the United States, Thailand, Turkey, Paraguay, Morocco, Mozambique, Burkina Faso and Hong Kong in the six months ended June 30, 2017.

In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our total revenue derived from our top five customers, which includes four distributors and one direct hospital customer, were RMB28.5 million, RMB34.3 million, RMB42.3 million, RMB21.5 million and RMB25.3 million, respectively, representing 19.2%, 16.7%, 15.6%, 18.6% and 15.6% of our revenue. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our revenue derived from our single largest customer were RMB7.2 million, RMB9.2 million, RMB12.4 million, RMB5.2 million and RMB7.9 million, respectively, representing 4.9%, 4.5%, 4.6%, 4.5% and 4.9% of our revenue.

To the best knowledge of our Directors, none of our Directors or their associates holding more than 5% of our issued share capital or the existing Shareholders had any interests in any of our top five customers during the Track Record Period. During the Track Record Period, we generally maintained a stable business relationship with our customers and the average length of our business relationships with our top five customers as of the Latest Practicable Date was approximately 6.2 years.

Distribution Network

We have an extensive and growing nationwide distribution network. As of June 30, 2017, we had 650 distributors for our products, covering all of the provinces, municipalities and autonomous regions in China and 15 overseas jurisdictions. Our distributors are mostly engaged in the business of distributing medical devices. Our distributors include large-scale distributors of medical device and pharmaceutical products with wide coverage in terms of hospitals and geographical regions, which generally engaged various sub-distributors. We also engaged with certain small and medium-sized distributors who focused on supplying and providing ancillary services directly to hospitals in their target geographical regions. To our knowledge, our sub-distributors are generally small and medium-sized distributors active in relatively small local markets. The following table sets forth the changes in the number of our distributors for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2014	2015	2016	2017
Distributors at the beginning of the period	416	553	609	637
Addition of new distributors	147	69	38	19
Termination of distributors	(10)	(13)	(10)	(6)
Net increase/(decrease) in distributors	137	56	28	13
Distributors at the end of the period	553	609	637	650

During the Track Record Period, the increase in the number of our distributors was mainly driven by (1) the development of our business and our enhanced marketing efforts such as our launch of new products that target higher-end or higher-margin sectors, attracting new distributors with a business focus on the distribution of high-end orthopedic products, and our granting of more favorable commercial terms to potential distributors, (2) the increased and more favorable brand recognition among hospitals and surgeons and (3) the general growth of the orthopedic joint implant market in China.

We enter into annual distribution agreements with most of our distributors. During the Track Record Period, we decided not to renew or terminate our relationships with certain distributors primarily because they (1) were unable to meet our distribution needs in the relevant region, (2) failed to maintain their qualifications or licenses for distributing our products and/or (3) went out of operation. We also seek to enter into distribution agreements with new competent distributors to expand and optimize our distribution network. During the Track Record Period, there were also distributors that ceased their operations and therefore terminated their business relationship with us. As a matter of practice, we have allowed certain distributors to return unsold goods when they terminated their agreements with us.

As of December 31, 2014, 2015 and 2016 and as of June 30, 2017, our distribution network covered over 1,600, 1,800, 2,000 and 3,000 hospitals in China, respectively. Some of our distributors engage sub-distributors of their own. We believe our distributors engage sub-distributors mainly to expand their sales network to hospitals that are not yet covered by their own sales. In general, we do not enter into direct contractual relationships with sub-distributors.

To the best of our knowledge, most of our distributors and sub-distributors engaged by our distributors are independent third parties. However, we sold products to distributors owned or managed by three of our former employees (the "**Former Employee Distributors**") during the Track Record Period. Revenue from the Former Employee Distributors in 2014, 2015, 2016 and the six months ended June 30, 2017 were RMB5.9 million, RMB12.8 million, RMB21.1 million and RMB11.3 million, respectively, representing 4.0%, 6.2%, 7.8% and 6.9% of our revenue, respectively, comprising revenue from Distributor A of RMB0.9 million, RMB7.9 million, RMB8.9 million and RMB5.5 million, respectively, revenue from Distributor B of RMB4.9 million, RMB4.8 million, RMB5.8 million and RMB1.8 million, respectively, and revenue from Distributor C of nil, nil, RMB6.5 million and RMB4.0 million, respectively, in the corresponding periods. The sales to the Former Employee Distributor were on commercial terms negotiated on an arm's length basis and are in line with the terms with other distributors. During the Track Record Period, we were not aware of any conflicts of interests with the Former Employee Distributors. We have identified the Former Employee Distributors in our distributor management system as an internal control measure to mitigate potential conflict of interests with them in the future. Furthermore, the Former Employee Distributors are subject to the same internal control measures applicable to other distributors, including entering into written distribution agreements in our form with a compliance undertaking and signing a compliance undertaking to us annually if they are among top 20 distributors in the previous year or their purchase amount in the past six months exceeds RMB2 million. See "—Anti-bribery Compliance". We are not aware of any employees acting as our distributors within the duration of their employment.

Selection of distributors

Members of our sales and marketing team constantly seek potential new competent and financially sound distributors. We also regularly meet and select potential distributors at medical devices exhibitions or academic conferences and based on referrals from our existing distributors and customers. We evaluate our potential distributors prior to engaging them and will conduct periodic reviews of them on an on-going basis. We require all of our distributors to demonstrate that they have obtained all necessary qualifications and licenses to distribute our products within their designated territories and have the relevant experience in the local market. We also review their historical financial performance to evaluate their financial condition. We regularly assess our distributors through physical inspection, assessment of their financial performance and investigation as to, among other things, non-compliance with laws and regulations. We believe the above measures are effective to minimize our exposure to any bribery, corrupt practices or other improper conduct that could harm our reputation and business.

Management of distributors

We authorize our distributors to distribute our products only within their designated territories and only to hospitals with our authorization to avoid cannibalization among themselves. Members of our sales and marketing team conduct periodic inspections of our distributors to ensure that our products are distributed by our distributors within the designated territories, monitor the number of distributors in any given area and keep track of any potential cannibalization or competition among our distributors.

During the Track Record Period, our sales and marketing team conducted ad hoc onsite inspections and routinely requested reports on the inventory levels of our distributors. Starting from 2016, to better monitor the inventories of our distributors, we have required each of our distributors to provide us with reports on their inventory levels on a monthly basis and cooperate with us on our inventory checks. Our Directors are of the view that our sales to distributors during the Track Record Period reflected genuine market demand rather than an accumulation of inventory in our distribution channel, and that there was effective management and control over our distributors and their inventory levels. As a result, we have not encountered any difficulties with our cash flows during the Track Record Period. As of December 31, 2014, 2015 and 2016 and as of June 30, 2017, we had trade receivables (before deducting allowance for doubtful debts) of RMB19.9 million, RMB44.7 million, RMB68.8 million and RMB70.5 million, respectively. During the Track Record Period, our trade receivables increased mainly due to an increase in our revenue and credit periods granted to more qualified distributors and longer credit periods granted to some of our other distributors in order to attract competent distributors, allowing us to maintain and expand our network and enter into new markets. As of November 27, 2017, RMB43.5 million, or 61.7%, of our trade receivables outstanding as of June 30, 2017 had been settled in cash or bank acceptance bills. In addition, the majority of our distributors have continuously and routinely placed purchase orders with us throughout the Track Record Period, reflecting their continued ability to smoothly sell our products to end customers and maintain a healthy inventory level. Nothing has come to the Sole Sponsor's attention that the view of our Directors is unreasonable.

Our sales and marketing employees monitor and manage our distributors to make sure they comply with our distribution agreements, such as selling our products only in the territories designated therein. If we discover any non-compliance, we inform the relevant distributor and request the distributor to rectify the non-compliance within a certain period of time. Our distributors are required to indemnify us for any losses we incur because of such non-compliance. We are entitled to terminate the distribution agreements if our distributors breach certain provisions stipulated in the agreements, such as distributing our products outside the designated territories.

We impose annual sales targets on some of our large distributors. As of December 31, 2014, 2015, 2016 and June 30, 2017, we had 60, 42, 104 and 69 distributors with annual sales target, respectively. If these distributors exceed their respective sales targets, they are entitled to non-cash sales rebates from us, which they can use to purchase our products at a discount in the future. If such distributors do not meet 70.0% of the relevant sales target, we are entitled to adjust their designated territories. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, non-cash sales rebates were RMB13.2 million, RMB15.5 million, RMB15.4 million, RMB5.8 million and RMB6.6 million, respectively, representing 8.2%, 7.0%, 5.4%, 4.8% and 3.9% of our revenue (before deducting the non-cash sales rebates), respectively.

We provide training sessions on product knowledge to our distributors. Our sales and marketing team also assists our distributors with their sales and marketing efforts. We believe this helps us nurture mutually beneficial long-term relationships with our distributors.

We generally do not enter into any contract with the sub-distributors engaged by our distributors and we mostly rely on our distributors to monitor and control the sales of their respective sub-distributors. In our distribution agreements, the distributors are required to obtain our written consent before engaging any sub-distributors and are responsible for supervising and managing the sub-distributors they engage. During the Track Record Period, some of the sub-distributors engaged by our distributors may have made sales outside of the relevant designated territories or to hospitals without our authorization. Starting from 2016, to better manage our distribution network, we have added a provision to all new and renewed distribution agreements requiring our distributors to ensure the sub-distributors they engage also comply with the terms of our distribution agreements, including not to sell our products outside of the territories we designate for the relevant distributors or to sell our products to unauthorized hospitals.

Domestic distributors

As of June 30, 2017, we had 632 domestic distributors covering all the provinces, municipalities and autonomous regions in China. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our revenue derived from sales to domestic distributors were RMB138.7 million, RMB192.7 million, RMB245.4 million, RMB107.2 million and RMB153.0 million, respectively, representing 93.6%, 93.5%, 90.6%, 93.0% and 94.2% of our total revenue, respectively.

During the Track Record Period, we entered into distribution agreements with most of our domestic distributors, which include the following principal terms with legal binding effect:

- *Term*: Our distribution agreements are generally for a term of one year and can be renewed by mutual consent annually.

- *Designated distribution territories*: Distributors are not allowed to sell our products outside their designated territories. We are entitled to revoke authorization for the distributors to sell our products in their designated areas to authorized hospitals if they sell our products outside of these designated territories.

- *Authorization for sale to hospitals*: Distributors are only allowed to sell our products to hospitals authorized by us.

- *Non-competition*: Distributors are not allowed to distribute products that compete with our products.

- *Compliance*: Distributors are responsible for conducting sales in accordance with the relevant laws and regulations.

- *Minimum purchase amounts*: We generally do not enter into written distribution agreements with distributors whose annual sales are less than RMB0.1 million as these distributors are not active and only order our products on an ad hoc basis.

- *Pricing policies*: We sell our products to the distributors according to the prices specified in the distribution agreements, which we may adjust based on market conditions. Distributors sell our products to the hospitals at the regional "bidding prices" agreed with the relevant government. If our distributors engage sub-distributors, they are free to determine the selling price with their sub-distributors.

- *Sub-distributors*: Distributors are allowed to engage sub-distributors after obtaining our written consent, and the distributors are responsible for supervising and managing sub-distributors they engage.

- *Packages and trademarks*: Distributors may only distribute our products in their original packages bearing their original trademarks.

- *After-sale services*: We are responsible for providing certain after-sale services, including providing trainings to the distributors and end customers on our products and the relevant technologies.

- *Reporting of complaints*: Distributors are responsible for reporting to us any complaints from the hospitals within 48 hours and any accident which may be related to our products within 24 hours, and cooperate with us in any relevant investigations.

- *Product recall*: In the event of a product recall, the distributors must provide us with the inventory and sales record and a list of end customers, and return to us any unsold products.

- *Sales record*: Distributors are responsible for sending to us all the records of sales and hospitals' implant usage.

- *Delivery*: We are responsible for arranging delivery of products to the locations designated by our distributors.

- *Product return*: Our distributors are only entitled to return products if they are defective or substandard products. See "—Return and Exchange of Products".

- *Sales target, discounts and sales rebates*: We set an annual sales target for some large distributors. If they exceed the relevant sales target within the specified period, they are entitled to sales rebates from us that they can use to purchase our products at a discount in the future. If such distributors do not meet the relevant sales target, we are entitled to replace them with other distributors in their designated territories.

- *Payment and credit periods*: For some large distributors with whom we have a long-term relationship, we grant a credit period ranging from one to six months.

- *Termination of agreements*: We are entitled to terminate a distribution agreement under certain situations, including when a distributor fails to pay us.

Starting from 2016, to manage our distribution network, we have added a provision to all new and renewed distribution agreements requiring our distributors to (1) ensure the sub-distributors they engage also comply with the terms of our distribution agreements and (2) provide a monthly written report detailing the types and quantities of our products sold to hospitals, inventory levels and local market conditions. Ever since then, we have enhanced our efforts in managing our distribution network. Examples of measures taken include (1) requiring our sales and marketing personnel to visit and check the inventory status of each of the distributors with our products in stock on a quarterly basis; and (2) collecting inventory reports from each of the distributors for which our sales volume exceeded RMB1 million in the previous year biannually.

Overseas distributors

During the Track Record Period, we sold a small portion of our products to overseas markets through overseas distributors. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our revenue derived from our overseas distributors were RMB0.1 million, RMB2.9 million, RMB11.5 million, RMB2.9 million and RMB3.3 million, respectively, representing 0.1%, 1.4%, 4.3%, 2.5% and 2.0% of our total revenue, respectively. During the Track Record Period, our overseas distributors covered 27 overseas jurisdictions. We enter into one-off sales contracts with our overseas distributors from time to time which provide for the type of product, quantity and price and we generally do not enter into long-term distribution agreements with them. The terms of the sales contracts with our overseas distributors vary depending on different factors, including the length of our relationship with the distributors, quantity of orders and potential business opportunities. We usually require overseas distributors to pay deposits to us after entering into one-off sales contracts and deliver our products after receiving full payment from distributors.

Direct Sales to Hospitals

In addition to the sales to our distributors, we also sell our products directly to hospitals through our wholly-owned distributor subsidiary. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our total direct sales to hospitals were RMB9.5 million, RMB10.5 million, RMB13.9 million, RMB5.2 million and RMB6.2 million, respectively, representing 6.4%, 5.1%, 5.1%, 4.5% and 3.8% of our revenue, respectively. All our direct hospital customers are independent third parties. We sell to direct hospital customers at the relevant "bidding prices", which are higher than the prices we sell to distributors, and therefore the gross margins for direct sales to hospitals are higher than sales to distributors. However, we incur much higher selling and distributing expenses for direct sales, which our distributors would incur when they distribute our products. In line with market practice, hospitals do not generally enter into framework sales agreements with us, and instead confirm and settle sales with us based on the number of orthopedic products used. We typically grant our direct hospital customers a credit period ranging from three to 12 months. We are responsible for arranging the delivery of products to our hospital customers. The title of our products passes to such hospitals upon the actual use of them. We are responsible for any loss, damage or spoilage in transit.

Marketing

We market and sell our products and services primarily through our internal sales and marketing team and our independent distribution networks. We also cooperate with key opinion leaders and external industry experts on sales and marketing initiatives through organizing and attending promotional conferences and seminars. For example, we invite experts to attend conferences that we organize to promote and discuss our products and relevant surgical techniques. We have also jointly set up an advanced seminar on orthopedic implants with renowned hospitals to promote the relevant surgical techniques on the use of our A3 Total Knee Replacement and ACCK Revision Total Knee Replacement products. We regularly attend national and local academic conferences to promote our brand and products.

Currently, our products primarily target the mass market in China. We are also seeking more opportunities in the middle- to high-end market with new and advanced products. For example, our orthopedic joint implants for revision surgeries target the high-end market and are mainly sold to Class III hospitals in China.

As of the Latest Practicable Date, we had a dedicated internal team of 121 industry-specialized sales and marketing personnel covering all the provinces and municipalities in China. 56.2% of the members of the sales and marketing team have educational backgrounds in clinical medicine, bio-engineering, pharmacy or other related areas.

Customer Services

Our sales and marketing team provides our customers with on-going trainings and guidance on how to use our products, part of which are integrated with our 3D ACT solutions. See "—Overview" for a description of services we provide to our customers in our 3D ACT Solutions. We also strive to enhance the user experience by collecting feedback from surgeons and making relevant improvements to our products. Our customer service team is responsible for handling customer complaints. We have established a customer service hotline to handle complaints about our products from our customers. The relevant complaints will be forwarded to our relevant departments for follow-up. During the Track Record Period, we have not received material complaints on the quality of our orthopedic implants.

Return and Exchange of Products

Our distributors do not have a right to return products to us unless they are defective or are substandard. However, from time to time and on a voluntary basis, we allow our distributors to return their inventory to us to the extent they are resalable if we decide to terminate our distribution agreements with them. In these circumstances, we generally buy back the products at the original selling price. During the Track Record Period, there were no product returns due to product quality.

Similarly, under our distribution agreements, distributors do not have a right to exchange their unsold products with our other products unless they are defective or are substandard. However, in practice, we generally entertain requests to exchange unsold products on a voluntary basis, to maintain the relationship with our distributors, so long as the products to be exchanged are resellable and such exchange does not have a negative effect on our revenue. Furthermore, we usually do not provide any warranties for our products other than product quality warranties and we have not done so during the Track Record Period. There was no product exchange due to quality defects during the Track Record Period and up to the Latest Practicable Date. In 2014, 2015, 2016 and the six months ended June 30, 2017, the products being exchanged amounted to RMB8.5 million, RMB11.1 million, RMB10.9 million and RMB11.2 million, respectively, calculated based on the revenue recognized when the exchanged products were sold to the customers, which represented approximately 5.7%, 5.4%, 4.0% and 6.9%, respectively, of our revenue. As we do not accept product exchange that would have a negative effect on our revenue, product exchanges either have no effect or a positive effect on our revenue during the Track Record Period. In 2014, 2015, 2016 and the six months ended June 30, 2017, revenue derived from the excess between the price of the new products purchased and the existing products exchanged by distributors amounted to RMB19,491, RMB232,093, RMB177,154 and RMB69,100, respectively, representing approximately 0.01%, 0.11%, 0.07% and 0.04% of our revenue, respectively.

We have implemented internal control measures on product returns and exchanges. Our sales department first evaluates a request from a distributor for a product return or exchange to determine whether the request is reasonable. Our finance department also checks the request against the relevant bills and invoices for the underlying sales. Our quality control personnel will then examine the relevant products to make sure they are still in marketable condition. If we cannot resell the products, we would reject the request for product return or exchange unless the return or exchange is due to a product quality issue.

For the accounting treatment and financial impacts of our sales returns and exchanges, see "Financial Information—Critical Accounting Policies and Estimates—Sales Returns or Exchanges".

Pricing

Most of our products are on the Medical Device Procurement List. We and our distributors are required to participate in a public tender process for the right to sell our products on the Medical Device Procurement List to the hospitals and medical institutions within a particular region. The price of orthopedic products on the Medical Device Procurement List is determined by the public tender processes.

For sales to our distributors, we have set a nationwide standard price, which we determine after taking into account the successful bidding price for sales to the relevant hospitals, the market positioning and target customers of the specific products, the prevailing market price of similarly positioned products, and our costs and overall profit margin. We would consider adjusting the standard price for our products according to the market conditions and competition.

We determine the selling price of the third-party orthopedic products we distribute as an agent for third parties based on the purchase price we paid, related taxes and expenses and our overall profit margin.

For our overseas sales, we negotiate with our customers on an arm's length basis based on our costs, the specific market condition of each overseas market and our overall profit margin.

See "Financial Information—Factors Affecting Our Financial Condition and Results of Operations—Healthcare Regulations and Policies in China" for a discussion on pricing and the average selling price of our products.

RAW MATERIALS AND SUPPLIERS

The principal raw materials for our orthopedic implants include titanium alloy, cobalt-chromium-molybdenum alloy and ultra-high molecular weight polyethylene materials and certain product components such as ceramic heads. We purchase most of our raw materials from China, except ceramic heads and certain raw materials for our ML femoral stems, which we purchase from Germany and the United Kingdom, respectively. We select our raw material suppliers based on a number of factors, including their business scale, reputation in the market, equipment capacity, staff capacity, technical skills and their ability to deliver materials that meet our quality standards in a timely manner. We have developed stable relationships with all of our key suppliers. As of the Latest Practicable Date, the average length of our business relationship with our five largest suppliers was 6.2 years.

To avoid over-reliance on one particular supplier of raw materials, we have maintained at all times at least two suppliers for each of the following materials during the Track Record Period: titanium alloy, cobalt-chromium-molybdenum alloy and ultra-high molecular weight polyethylene. However, we only procure ceramic heads from one supplier (the "**Ceramic Head Supplier**"), which, to our best knowledge, is the only major supplier of ceramic heads in the world. Ceramic head is one of the several types of femoral head we provided as a part of total hip systems and used in combination with other components. See "—Our Products and Services—Off-the-Shelf Products—Hip Replacement Implants". We entered into a supply agreement with the Ceramic Head Supplier with an indefinite term, which can be terminated by either party upon three-month prior written notice but no earlier than December 31, 2017. Our purchase from the Ceramic Head Supplier was RMB45,095, RMB11.2 million, RMB5.9 million and RMB2.7 million, respectively, representing 0.12%, 14.5%, 7.8% and 4.4% of our total purchase, respectively, in 2014, 2015, 2016 and the six months ended June 30, 2017, respectively. If our supply agreement with the

Ceramic Head Supplier is terminated, or the Ceramic Head Supplier becomes otherwise unable or unwilling to continue to supply us directly, we will have to procure ceramic heads of the same specification from the downstream distributors of the Ceramic Head Supplier. If the ceramic heads we currently purchase from the Ceramic Head Supplier become no longer available in the market, we would be forced to cease the production of the products using the ceramic heads. See "Risk Factors—Risks Relating to Our Business—If we fail to maintain relationships with certain key suppliers at commercially acceptable terms, or at all, we may not be able to maintain our product quality at reasonable cost, or at all". In such case, we will sell the components used to be sold in combination with ceramic heads with other types of femoral head. Moreover, our revenue derived from the sales of ceramic heads was nil, RMB11.0 million, RMB7.3 million and RMB6.9 million, respectively, representing nil, 5.3%, 2.7% and 4.2% of our total revenue in 2014, 2015, 2016 and six months ended June 30, 2017, respectively. Based on the above, our Directors are of the view that our overall business operations and financial performance would not be materially and adversely affected as a result of the disruption in the supply of the ceramic heads.

In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, purchases from our top five suppliers were RMB26.2 million, RMB47.8 million, RMB34.0 million, RMB14.3 million and RMB31.4 million, respectively, representing 71.6%, 62.2%, 44.7%, 40.2%, and 51.2% of our total purchases, respectively. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, purchases from our single largest supplier were RMB13.2 million, RMB16.2 million, RMB11.5 million, RMB3.7 million and RMB11.4 million, respectively, representing 36.2%, 21.1%, 15.1%, 10.4%, and 18.6% of our total purchases, respectively. To the best knowledge of our Directors, none of our Directors or their associates holding more than 5% of our issued share capital or the existing Shareholders had any interests in any of our top five suppliers during the Track Record Period. None of our suppliers are our major customers and vice versa. The following table sets forth details of our top five suppliers during the Track Record Period:

	Year ended December 31,									Six months ended June 30,		
	2014			2015			2016			2017		
Rank	Supplier	Amount	% of total	Supplier	Amount	% of total	Supplier	Amount	% of total	Supplier	Amount	% of total
								(unaudited)				
					(in thousands of RMB, except percentages)							
1	Supplier A[1]	13,231	36.2%	Supplier A	16,179	21.1%	Supplier B	11,457	15.1%	Supplier G	11,409	18.6%
2	Supplier B[2]	5,426	14.8	Supplier F[6]	11,175	14.5	Supplier G	7,322	9.6	Supplier B	8,919	14.6
3	Supplier C[3]	4,795	13.1	Supplier C	7,622	9.9	Supplier F	5,940	7.8	Supplier D	4,128	6.7
4	Supplier D[4]	1,585	4.3	Supplier B	6,748	8.8	Supplier C	4,931	6.5	Supplier I[9]	3,508	5.7
5	Supplier E[5]	1,148	3.1%	Supplier G[7]	6,077	7.9%	Supplier H[8]	4,311	5.7%	Supplier J[10]	3,426	5.6%

(1) Supplier A primarily engages in the distribution of metal products in North China. It had five years of relationship with us as of December 31, 2015. We maintained purchase agreements with indefinite terms with Supplier A in 2014 and 2015. Supplier A went out of business in 2016 to our knowledge. See below for details.

(2) Supplier B primarily engages in the distribution of precision castings and raw materials in North China. It had 14 years of relationship with us as of the Latest Practicable Date. We maintained purchase agreements with two-year terms with Supplier B in 2014, 2015 and 2016, and we entered into a purchase agreement with Supplier B in 2017 with a one-year term.

(3) Supplier C primarily engages in the manufacturing and distribution of forging alloy in North China. It had nine years of relationship with us as of the Latest Practicable Date. We maintained purchase agreements with indefinite terms with Supplier C in 2014, 2015 and 2016.

(4) Supplier D primarily engages in the distribution of polyethylene in East China. It had four years of relationship with us as of the Latest Practicable Date. We maintained purchase agreements with indefinite terms with Supplier D in 2014 and 2017.

(5) Supplier E primarily engages in the manufacturing and distribution of titanium alloy in North China. It had 14 years of relationship with us as of the Latest Practicable Date. We maintained a purchase agreement with an indefinite term with Supplier E in 2014.

(6) Supplier F primarily engages in the manufacturing and distribution of ceramic products overseas. It had six years of relationship with us as of the Latest Practicable Date. We maintained purchase agreements with indefinite terms with Supplier F in 2015 and 2016.

(7) Supplier G primarily engages in the manufacturing and distribution of orthopedic joint implants overseas. It had three years of relationship with us as of the Latest Practicable Date. We maintained purchase agreements with indefinite terms with Supplier G in 2015, 2016 and 2017.

(8) Supplier H primarily engages in the manufacturing and distribution of bone cement overseas. It had eight years of relationship with us as of the Latest Practicable Date. We maintained a purchase agreement with a five-year term with Supplier H in 2016.

(9) Supplier I primarily engages in the manufacturing and distribution of metal material in North China. It had nine years of relationship with us as of the Latest Practicable Date. We maintained a purchase agreement with a one-year term with Supplier I in 2017.

(10) Supplier J primarily engages in the manufacturing and distribution of medical appliances in South China. It had one year of relationship with us as of the Latest Practicable Date. We maintained a purchase agreement with a three-year term with Supplier J in 2017.

We generally enter into supply agreements with legal binding effect for a term of one to two years with our suppliers. According to these supply agreements, we and our suppliers generally determine the price on an annual basis with reference to the type and the market price of raw materials and related costs to the suppliers such as energy consumption and labor costs. If there are material changes to these factors, we and the suppliers may adjust the price based on arm's length negotiations. Upon delivery, we require our suppliers to provide us with inspection reports on various respects of the raw materials, such as chemical components and mechanical performance. If there are any defects to the raw materials, we will be entitled to return the goods. Our domestic major suppliers typically offer us a credit period ranging from 30 to 180 days. The overseas supplier that supplies us with the ceramic heads generally requires us to make full payment before delivery. If there is any material breach of the agreement, the non-breaching party may terminate the agreement. After December 31, 2017, either party may also terminate the agreement by giving three-months' written notice.

We strive to maintain stable relationships with our suppliers. However, our largest supplier and major supplier of cobalt-chromium-molybdenum alloy in 2014 and 2015, Supplier A, to our knowledge, went out of business in the second quarter of 2016. Our purchase from Supplier A was RMB13.2 million and RMB16.2 million in 2014 and 2015 respectively, representing 36.2% and 21.1%, respectively, of our total purchase. In light of the abrupt termination of cobalt-chromium-molybdenum alloy supply from Supplier A, we increased our purchase from Supplier B and actively sought other suppliers for this raw material. By the end of 2016, we managed to develop relationships with four suppliers of cobalt-chromium-molybdenum alloy. Therefore, there was no material change in our overall raw material cost, our overall price, quality or terms of the purchase of the raw materials as a result of the termination of relationship with Supplier A. Our Directors are of the view that the termination of relationship with Supplier A had not resulted and will not result in any material adverse effect on our business operations or financial performance.

INVENTORY MANAGEMENT

Our inventories primarily include raw materials, work-in-progress and finished products. As of December 31, 2014, 2015, 2016 and June 30, 2017, we had inventories of RMB34.7 million, RMB58.4 million, RMB67.8 million and RMB84.8 million, respectively. We maintain our inventories of finished products and procure raw materials according to the projected demand from our hospital customers and distributors and the estimated production time of our products. We check with our distributors on a monthly basis for their expected demand, and plan our raw material procurements and production activities accordingly. We typically maintain an inventory level of two to six months to meet the procurement needs of our distributors and hospital customers.

We deployed an ERP system in 2014 to track inventory levels and to ensure we keep a reasonable inventory level of raw materials and finished products. The ERP system enables us to closely monitor our inventory level and make adjustments whenever necessary. We also carry out periodic physical inventory assessments to verify the accuracy of our ERP database.

QUALITY CONTROL

Product quality is vital to our business, since any potential quality defect may cause significant risks to patients. As such, we have set up a strict quality control system throughout our entire production process, encompassing the following stages:

- *Raw material quality control*: We purchase raw materials only from qualified suppliers that are selected based on our internal supply management policy. We require our suppliers to provide quality inspection reports from third party inspectors on selected crucial raw materials for our production. Our quality control staff will select samples for inspection from each batch of raw materials upon delivery in accordance with our internal policy and will inspect them against our quality standard. We maintain records in relation to inspection of relevant raw materials. We are entitled to return any raw materials that fail to meet our quality standards.

- *Production quality control*: We strictly monitor each stage of our production process to ensure it meets our quality control requirements. Each of our staff in the production line is required to examine the quality of the goods that are in production when he receives them from the previous production step. They must not process the goods unless they meet our quality standards. They are required to examine the goods in-production again before delivering them to the next production step. Our quality control staff also conduct routine and ad hoc quality inspections in the production areas and at selected production stages to detect any potential issues in the production process.

- *Finished products quality control*: Finished products failing to meet any GMP requirements are re-processed or scrapped, depending on the actual circumstance. Re-processed products undergo the same procedure of inspection. Once the products meet our quality standards, they will be packaged, sterilized and delivered to the quality control inspectors for final inspection. After the quality control inspectors have confirmed that the quality standards for each process have been satisfied, they will collect the inspection paperwork for each process and issue an inspection report.

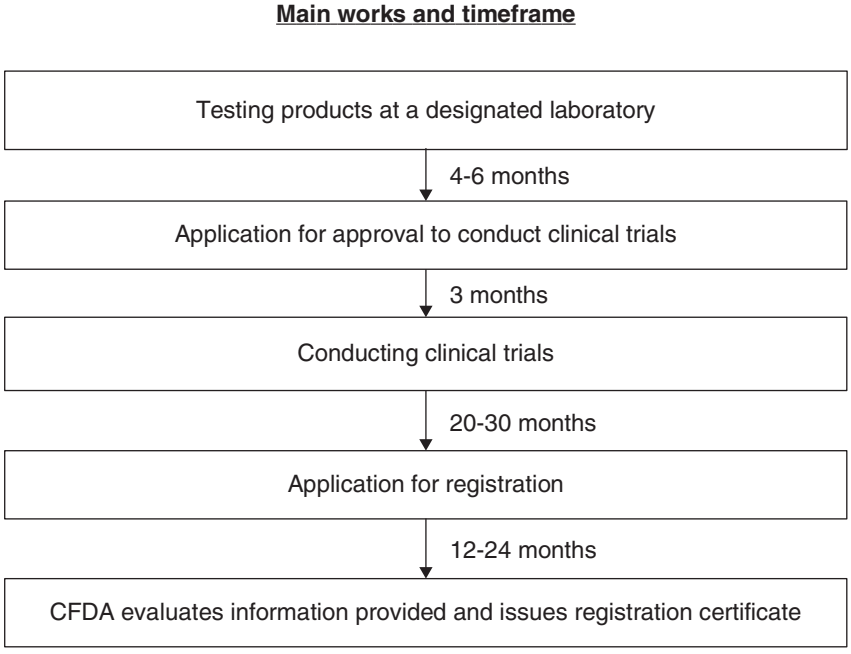
Our operations comply with the CFDA's regulations including the regulations regarding quality management. We have established a quality control system in accordance with ISO9001 and ISO13485, and our products have passed the inspection for GMP certification in 2017.

As of the Latest Practicable Date, our quality control team had 27 employees. Our quality control team is responsible for formulating and implementing our quality control policies, and conducting inspections of raw materials, production processes and finished products to identify quality defects. Our quality control staff may report quality control issues to the on-site quality control team or the quality control department, depending on the severity of such issues.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaints about product quality and our products had not been subject to any material claim, litigation or investigation. In addition, during the Track Record Period and as of the Latest Practicable Date, there were no product recalls or fatal accidents related to our products.

PRODUCT REGISTRATION

The medical device industry is strictly regulated in China and producers of medical devices are required to obtain certificates, permits and approvals from the relevant government authorities. As of the Latest Practicable Date, we had obtained necessary medical device registration certificates for 50 products from the CFDA. The following diagram illustrates the CFDA registration procedures:



For details about our certificates, permits and approvals required for our operation, see "Regulation—Classification of Medical Devices", "Regulation—Medical Device Registration Certificate" and "Regulation—Production Permit".

During the Track Record Period, we exported a small portion of our products to 27 overseas jurisdictions. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, overseas sales were RMB0.1 million, RMB2.9 million, RMB11.5 million, RMB2.9 million and RMB3.3 million, respectively, representing 0.1%, 1.4%, 4.3%, 2.5% and 2.0% of our revenue, respectively. Other than certain overseas sales that are not subject to registration or approval requirements, as of the Latest Practicable Date, we had obtained all requisite licenses, approvals and certificates to sell our products in all of the relevant overseas jurisdictions to which we exported our products.

As of the Latest Practicable Date, except for those disclosed in this prospectus, we had obtained all requisite licenses, approvals and production certificates for all of our production facilities and all of such licenses and certificates are within their respective effective periods. We did not experience any material difficulties in renewing the business licenses and production certificates of our production facilities during the Track Record Period, and we currently do not expect to have any material difficulties in renewing such licenses and certificates when they expire.

INTELLECTUAL PROPERTY

We recognize the importance of intellectual property rights to our business and are committed to the development and protection of our intellectual property rights. We have developed a significant portfolio of intellectual property rights to protect our technologies and products and all the patents necessary to our products are registered under our name. As of the Latest Practicable Date, we had 36 invention patents, 140 utility patents and two patents under the PCT. We also had 134 pending invention patents, 77 pending utility patents and six pending patent applications filed under the PCT. Such patent applications filed under the PCT, if granted, allow us to seek patent protection in multiple member countries. We have obtained 26 CFDA registration certificates for Class III medical devices. We conduct our business under the brand name of "AK Medical" ("愛康"). As of the Latest Practicable Date, we had registered 20 trademarks in China and Hong Kong and filed one trademark application in Hong Kong. We are also the registered owner of three domain names.

We have entered into confidentiality agreements and non-competition agreements with our senior management and certain key members of our R&D team and other employees who have access to trade secrets or confidential information about our business. Our standard employment contract, which we used to employ each of our employees, contains a confidentiality clause, under which we own all the rights to all inventions, technology know-how and trade secrets derived during the course of such employee's work.

As of the Latest Practicable Date, we were not involved in any proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be a claimant or a respondent.

See Appendix IV—"Statutory and General Information—Further Information about the Business of Our Company—10. Intellectual property rights of our Group" to this prospectus for further information.

AWARDS AND RECOGNITIONS

The following table sets out a summary of the major awards and recognition we have received:

Year	Name of Award or Recognition	Issuing Authority
2015	Beijing Municipal Engineering Technology Research Center for 3D- Printing Orthopedic Application (北京市3D打印骨科應用工程技術研究中心)	Beijing Municipal Science and Technology Commission (北京市科學技術委員會)
2015	Zhongguancun High-tech Enterprise (中關村高新技術企業)	Zhongguancun Science Technology Park Management Committee (中關村科技園區管理委員會)
2014	High-tech Enterprise (高新技術企業)	Beijing Municipal Science and Technology Commission, Beijing Municipal Bureau of Finance, Beijing Municipal Office of State Administration of Taxation and Beijing Local Taxation Bureau (北京市科學技術委員會/北京市財政局/北京市國家税務局/北京市地方税務局)
2014	Substation of Zhongguancun Science and Technology Park Changping District Management Committee Post-doctoral Scientific Research Station (中關村科技園區昌平園管理委員會博士後科研工作站分站)	National Post-doctor Management Committee Office (全國博士後管委會辦公室)
2013	Science and Technology Research and Development Organization of Beijing Municipal Enterprises (北京市級企業科技研究開發機構)	Beijing Municipal Science and Technology Commission (北京市科學技術委員會)
2011	Beijing Municipal Patent Pilot Unit (北京市專利試點單位)	Beijing Intellectual Property Office (北京市知識產權局)
2009	Innovative Pilot Enterprise of Zhongguancun Science Park (中關村國家自主創新示範區創新型試點企業)	The People's Government of Beijing Municipality, Ministry of Science and Technology of China and Chinese Academy of Sciences (北京市人民政府/中國科學技術部/中國科學院)

COMPETITION

The orthopedic implant market is characterized by rapid product development, technological advancement and intense competition. We compete against our competitors primarily with respect to R&D capabilities, brand recognition, product quality, pricing and distribution network. See "Industry Overview" for details.

According to Frost & Sullivan, we owned the bestselling brand of orthopedic joint implants in China by sales volume in 2016. Our competitors are mainly international orthopedic joint implant companies, such as Smith & Nephew plc, Zimmer Holdings, Inc., DePuy Synthes Companies and Stryker Corporation and the top China-based orthopedic joint implant companies, including Beijing Chunlizhengda Medical Instruments Co., Ltd. and Shandong Weigao Orthopedic Device Company Limited. We believe our quality product offerings and our strong R&D capabilities give us a significant competitive advantage over other China-based orthopedic joint implant companies, allowing us to design and develop high-end products that rival those of international orthopedic joint implant companies, such as orthopedic joint implants with trabecular structure. Some of the international orthopedic joint implant companies have a larger market share in China than us in terms of revenue but we expect to be able to successfully compete against them by leveraging favorable government policies which encourage the use of medical devices produced in China over imported products. See "Industry Overview—Import Substitution with Domestic Products".

INSURANCE

We maintained product liability insurance coverage for our products during the Track Record Period. As of the Latest Practicable Date, our product liability insurance policies in connection with our orthopedic implants covered up to RMB80,000 per incident with a cap of RMB2.0 million per policy year. In 2014, 2015, 2016 and the six months ended June 30, 2017, the expenses we incurred for our insurance policies amounted to RMB20,000, RMB20,000, RMB45,000 and RMB45,000, respectively. We carry mandatory motor vehicle insurance for our transportation vehicles. As we conduct business activities primarily in China, we have not purchased any product liability insurance for our products sold overseas.

Our Directors believe that our existing insurance policies are in line with industry practices in China. Although we cannot assure that such insurance will be sufficient to protect us against all contingencies, we believe that our insurance protection is reasonable in view of the nature and scope of our operations.

During the Track Record Period, we did not submit any material insurance claims, and we did not experience any business interruptions which had a material adverse effect on our business or financial position. See "Risk Factors—Risks Relating to Our Business—We are exposed to potential product liability claims and our insurance coverage only extends to some of our products and may be inadequate to protect us from all the liabilities we may incur".

EMPLOYEES

We strive to build and maintain a strong team of employees. Our recruiting policy emphasizes the importance of attracting competent employees through a combination of competitive salary incentives, on-the-job training and opportunities for development. As of the Latest Practicable Date, we had 345 employees. The following table sets forth a breakdown of our employees by function as of the Latest Practicable Date:

Function	Number	% of Total
Sales and marketing	121	35.1%
R&D [(1)]	42	12.2
Production	129	37.4
Management and Administration	53	15.4
Total	345	100.0%

(1) Including technicians operating our PTIP.

We believe we have a high-quality work force with specialized industry expertise, with 31.9% of our employees having undergraduate or higher educational backgrounds and over 10.7% having graduate or higher educational backgrounds as of the Latest Practicable Date.

We have established a labor union. The labor union is responsible for representing our employees to handle employment related matters with us and protecting the legal rights of the employees. According to the relevant Chinese labor union laws and regulation, we are required to make contributions to the labor union that are equivalent to 2.0% of the total salary for all our employees. During the Track Record Period and up to the Latest Practicable Date, we have complied with these laws and regulations. During the Track Record Period, we have not experienced any strikes or significant labor disputes which have materially affected our operations.

In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, we incurred staff costs of RMB23.0 million, RMB32.2 million, RMB41.0 million, RMB18.4 million and RMB23.9 million, respectively, representing 15.5%, 15.6%, 15.2%, 15.9% and 14.7% of our revenue, respectively. As of the Latest Practicable Date, all of our employees were based in China.

Training and Development

We place significant emphasis on staff training and development. We invest in continuing education and training programs to our management staff and other employees to upgrade their skills and knowledge.

All of our new employees are required to attend orientation and training programs so that they may better understand our corporate culture, structure and policies, learn about the relevant laws and regulations, and raise their quality awareness. They also need to undertake trainings and tests on their relevant skills conducted by the relevant departments and evaluations by the human resources department. In addition, from time to time, we invite external experts to provide trainings to our management personnel to improve their relevant knowledge and management skills.

We place great emphasis on improving the expertise and business management skills of our senior management. Since 2012, we have been encouraging and sponsoring members of our senior management to attend training programs such as executive MBA programs and business administration related training programs at renowned educational institutions, including China Europe International Business School (中歐商學院), Cheung Kong Graduate School of Business (長江商學院) and School of Economics and Management Tsinghua University (清華大學經濟管理學院). As of the Latest Practicable Date, 58.3% of our senior management held a master or higher degree. We provide our employees with both internal trainings led by our management and department heads and external trainings by industry experts. Our goal is to ensure that our employees are armed with sufficient skills and knowledge to be productive in their respective areas of employment in order to maintain our competitive edge.

Employee Benefits

Our employees' remuneration comprises salaries, bonuses and employees provident fund and social security contributions. In accordance with applicable Chinese laws, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. We have also purchased accident insurance for our employees in the sales and marketing team and procurement team. As of the Latest Practicable Date, we had complied with all statutory social security insurance fund and housing fund obligations applicable to us under Chinese laws in all material aspects.

PROPERTIES

Owned Properties

As of June 30, 2017, we owned one property in China with an aggregate gross floor area of 2,197.3 sq. m for use as office space and production facilities. We have obtained valid land use rights and a property ownership certificate in respect of our owned property.

Leased Properties

As of June 30, 2017, we leased 11 premises from independent third parties with a total gross floor area of 8,983 sq. m in China. These properties are used primarily as production facilities, warehouses and offices.

Habatun Village Property

Of our leased properties, the lessor of one property with a gross floor area of 1,621 sq. m (the "**Habatun Property**") has not obtained the relevant property ownership certificate. We have used the Habatun Property for the production of surgical instruments, and not for the production of orthopedic implants. The actual area used for production is around 900 sq. m. The relevant property is located on a parcel of land collectively-owned by the Habatun Village, Changping District, Beijing, China (the "**Collectively-Owned Land**") which is designated for agricultural use and has not been approved by the relevant government authorities for commercial construction use (the "**Lease Defect**"). The Collectively-Owned Land was leased by the villagers committee of Habatun Village (the **"Villagers Committee**") to Beijing Yanxu Industry and Trade Co., Ltd. (北京燕旭工貿有限公司) (the "**Habatun Lessor**") on February 14, 2004, which subsequently constructed the Habatun Property and sub-leased it to us.

According to a confirmation letter dated February 29, 2016 issued by the Villagers Committee and the government of Machikou Town, Changping District:

- the land use rights to the Collectively-Owned Land are owned by the Villagers Committee;
- the Collectively-Owned Land is designated as rural collectively-owned construction land; and
- the Habatun Property is leased to us by the Habatun Lessor.

Our PRC Legal Advisor has advised us that the government of Machikou Town is the competent authority to approve the lease of the Collectively-Owned Land by the Villagers Committee to the Habatun Lessor for agriculture-related use. However, according to the relevant laws and regulations of China, the land use right of a collectively-owned land may not be transferred or leased for non-agricultural construction use. The usage of a parcel of land could be converted from agricultural to construction use only if approved by the people's government at the provincial level. Since the Collectively-Owned Land is designated for agricultural use, the approval from the people's government of Beijing municipality is required to convert it to land for construction use before the Habatun Lessor could construct the Habatun Property and sub-lease it to us. As the usage of the Collectively-Owned Land has not been so converted, there is a risk that a competent authority could terminate our lease of the Habatun Property and require us to vacate the property and relocate.

Our Directors consider the risk of being required to relocate to be remote given that (1) the People's Government of Machikou Town, Changping District, Beijing (北京市昌平區馬池口鎮人民政府), has approved the lease of the Collectively-Owned Land by the Villagers Committee to the Habatun Lessor and (2) we have been leasing the Habatun Property since 2014 and neither the Habatun Lessor nor us have received any termination order from a competent government authority or any challenge from any third party. The original lease expired on March 31, 2017, and we entered into a new lease agreement with the Habatun Lessor on March 13, 2017 to continue leasing the Habatun Property until March 31, 2020.

Although we consider the risk of being required to relocate to be remote, we have formulated contingency plans in the event that we cannot use the Habatun Property due to the Lease Defect before the Changzhou Facilities are in operation, including (1) outsourcing the production of surgical instruments to certain manufacturers in China or (2) if we consider it more desirable,

relocating the production to a leased production site in Changzhou, China. We currently outsource the production of certain surgical instruments that are ancillary products to our orthopedic implant products to five manufacturers in China. See "—Production—Production Outsourcing" for details. Therefore, we believe we would be able to easily outsource the production of the surgical instruments currently produced in-house at the Habatun Property. In case we decide to continue to produce these surgical instruments in-house, we are also able to relocate the production capacity to a leased production site in Changzhou. On December 28, 2015, we entered into a legally binding lease agreement with Changzhou Binhu Ecology City Construction Company Limited (常州市濱湖生態城建設有限公司) (the "**Backup Facilities Lessor**"), an independent third party, to lease production facilities with a gross floor area of 800 sq. m (the "**Backup Facilities**") for a term of three years from January 1, 2016 to December 31, 2018 on a rent-free basis. The Backup Facilities Lessor is willing to lease us the Backup Facilities for free because it is wholly-owned by the State-owned and Collectively-owned Assets Management Office of Wujin District, Changzhou, and the local government considers our construction of the Changzhou Facilities and future production to be a boost to the local economy, and will provide us with the Backup Facilities for free to facilitate our preparation for our future operation in the Changzhou Facilities. We expect part of our Changzhou Facilities to commence operation by the second half of 2018, and therefore we will no longer need to lease the Backup Facilities upon expiration of the rent-free lease period. As of the Latest Practicable Date, we had obtained the relevant certificates for the production of Class I medical devices and the sales of Class II medical devices for the facilities we leased from the Changzhou Industry Park Committee. If we are required to relocate from the Habatun Property, we plan to relocate our production of surgical instruments to the Backup Facilities. The Backup Facilities is not currently in operation and we could make arrangements to move our production workers, production equipment, fixture, raw materials and work-in-progress in the Habatun Property to the Backup Facilities if needed, which would take about two weeks before the Backup Facilities could start operating.

As advised by our PRC Legal Advisor, according to a confirmation letter issued by Changzhou Industry Park Committee on April 6, 2016 and the permit of construction planning obtained for the Backup Facilities, we are entitled to use the Backup Facilities and the lease agreement we entered into for the lease of the Backup Facilities is legal, valid and binding. In addition, our Directors confirm that the Backup Facilities have sufficient capacity to accommodate the production currently being carried out at the Habatun Properties since the actual area used for production of Habatun Property is of similar size to the Backup Facilities.

In the event that we relocate from the Habatun Property to the Backup Facilities, we plan to recruit local production workers to work at the Backup Facilities, which is expected to take two months. During this period, to continue our production, we would offer each worker currently working in the Habatun Property a subsidy of RMB1,000 per month to be relocated to work at the Backup Facilities. These workers would be transported to our other production facilities in Beijing after we recruit enough workers for production at the Backup Facilities. We estimate that the total cost for relocation is RMB0.1 million, including (1) the transportation fees for production workers, (2) the cost to relocate production equipment, fixtures, raw materials and work-in-progress and (3) the subsidy to be paid to the production workers from the Habatun Property to work at the Backup Facilities. We only use the Habatun Property to produce surgical instruments, which are ancillary products and in general do not generate revenue. In addition, based on our experience, we believe we have sufficient inventory of surgical instruments to meet customers' demands during the two months of relocation time if needed. As a result, we do not expect that there will be any loss of revenue if we need to relocate from the Habatun Property, or any delays or failures in delivering our products to our customers.

Mr. Li has undertaken that, if we are not able to use the Habatun Property to produce surgical instruments due to the Lease Defect, he shall indemnify our Company for all losses and expenses that may be incurred in relation to the relocation.

Changping Property

We leased a property with a gross floor area of 696.75 sq. m located at Western Portion of the Second Floor, Xingye Building, No. 10 Baifuquan Road, Changping District Science Park, Beijing (the "**Changping Property**"). The lessor, Beijing Boda Xingye Property Management Co., Ltd. (北京博達興業物業管理有限責任公司) (the "**Changping Lessor**"), being a wholly-owned subsidiary of the property owner, has not provided to us the authorization from the relevant registered owner to lease the Changping Property to us, because the owner of the Changping Property was unwilling to accommodate the Changping Lessor's request. On March 21, 2016, we completed lease registration procedures for the Changping Property. We have used the Changping Property as a warehouse to store our finished products.

With regard to the Changping Property, our PRC Legal Advisor has advised us that according to the relevant laws and regulations, and judicial interpretations, since the Changping Lessor has not obtained authorization from the owner of the Changping Property, the lease agreement is at risk of being considered invalid.

Mr. Li has undertaken that, if we are required to relocate from the Changping Property because the Changping Lessor could not obtain authorization from the owner of the Changping Property, he will indemnify us for all relevant losses and expenses.

Based on the above, and given that we use the Changping Property as a warehouse, and not for production, even if we have to vacate the Changping Property, we would not experience any significant difficulties in finding another suitable property to use as a warehouse and it would not materially disrupt our operations. The relevant cost of relocation is estimated to be RMB10,000.

Zhengzhou Property

We leased a property with a gross floor area of 181.81 sq. m located at Room 13, 9th Floor, Building A, Fuguoyuxi Building, North of Zhengbian Road and West of Dongming Road, Guancheng Hui District, Zhengzhou, Henan, PRC (the "**Zhengzhou Property**"). We have used the Zhengzhou Property as a warehouse to store our finished products. The relevant lessor has not been able to provide the relevant property ownership certificate. According to our PRC Legal Advisor, the validity of the lease agreement is unclear, and if the relevant lessor is not the title owner, the lease agreement may be considered invalid. In such an event, we plan to find another suitable property and vacate the Zhengzhou Property. We currently do not expect to experience any significant difficulties in finding another suitable property to use for warehouses, and the relevant cost of relocation would be RMB1,000.

Taiyuan Property

We leased a property with a gross floor area of 205.3 sq. m located at Room 2803, 2804, 2806 and 2807, Building 3, No.16 Chang Feng Eastern Road, Taiyuan, Shanxi, PRC (the "**Taiyuan Property**"). We have used the Taiyuan Property for warehouses to store our finished products. The relevant lessor has not been able to provide the relevant property ownership certificate. According to our PRC Legal Advisor, the validity of the lease agreement is unclear, and if the relevant lessor is not the title owner, the lease agreement may be considered invalid. In such an event, we plan to find another suitable property and vacate the Taiyuan Property. We currently do not expect to experience any significant difficulties in finding another suitable property to use for warehouses, and we expect the relevant cost of relocation would be RMB1,000.

Other than the leases disclosed above, there is no title defect with respect to our other leased property.

During the Track Record Period and up to the Latest Practicable Date, we have not incurred any material losses and have not been subject to any material adverse change due to any of the above-mentioned defects in our leased properties.

In addition, we have not completed lease registration procedures for nine leased properties with an aggregate gross floor area of 4,586.71 sq. m. Our PRC Legal Advisor is of the view that, according to the relevant laws, regulations and judicial interpretations, failure to complete the registration procedures for a leased property will not affect the validity of the lease agreement, but a penalty may be imposed by the relevant authorities for absence of lease registration. Our PRC Legal Advisor also advised that a breach of the lease registration requirement would need to be rectified within a prescribed period once challenged by the government. Any entity which does not rectify the breach within the prescribed time limit will be subject to a fine of more than RMB1,000 but less than RMB10,000.

During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any administrative penalties for failure to register the leases of our leased properties. Therefore, we consider that the risk that the relevant government authorities would impose the fine on us for failure to register the leases is remote. As of the Latest Practicable Date, we had not completed the relevant lease registration procedures for five of our leased properties because the relevant lessors have refused to cooperate in the registration. For four other leased properties, we could not complete registration because the relevant lessors could not provide to us the relevant property ownership certificates for lease registration.

Based on the above, our Directors are of the view that the defects in our leased properties mentioned above will not individually or collectively have any material adverse effect on our business.

ANTI-BRIBERY COMPLIANCE

We sell our products to hospitals through distributors. The interactions we have with hospitals are primarily for the purpose of educating surgeons and nurses through training and seminars and collecting feedback about our products. We have taken a number of measures to prevent bribery or kickbacks by our distributors or employees. We have included standard anti-bribery provisions in our distribution agreements with distributors which require our distributors to comply with all relevant Chinese anti-bribery laws and regulations. Starting from 2016, we have added to all new and renewed distribution agreements an undertaking from the distributors that they shall not engage in bribery or kickback arrangements and shall comply with all the applicable anti-bribery laws and regulations. Under our distribution agreements, if a distributor breaches this undertaking, we are entitled to terminate the relevant distribution agreement and the distributor shall indemnify us for all the relevant losses we may incur. Starting from 2016, we have also required our top 20 distributors in the previous year and other distributors whose purchase amount in the past six months is more than RMB2 million to sign an undertaking to us annually that, among other things, they will manage their sub-distributors according to our requirements, confirm that they have not found any violation by their sub-distributors of any applicable anti-bribery laws and agree to be directly liable to us for any bribery or other misconduct committed by their sub-distributors. According to our PRC Legal Advisor, Chinese anti-bribery laws and regulations prohibit our distributors from making bribes and the distributors will be liable for any breach of such laws and regulations and we will not be liable for their breaches as long as we are not aware of such conduct and do not provide, directly or indirectly, any kind of assistance or support in the process. So far as the Company is aware, none of our employees or distributors was involved in bribery or kickback arrangements in distributing our products during the Track Record Period.

We also have in place an internal control system to prevent corruption and bribery by our employees. We have included anti-bribery provisions in our employee handbook and implemented internal policies on anti-corruption and anti-bribery. Employees who are found to have violated such internal policies would be subject to various internal disciplinary actions, including termination of employment and indemnifying relevant losses that we may incur. We provide regular trainings to our employees on such internal policies and on the applicable anti-corruption and anti-bribery laws and regulations. We also require our employees to undertake to us in writing that they will adhere to our internal policies. The audit committee of our Board is responsible for our anti-corruption and anti-bribery practices. Our management is responsible for routinely evaluating relevant risks and implementing relevant control mechanisms. We have also set up a reporting channel for internal and external reporting of briberies by our employees.

To the best knowledge of our Directors, none of our distributors or employees were involved in any bribery or kickback arrangements during the Track Record Period. Based on the Sole Sponsor's due diligence investigations in relation to bribery or kickback arrangements during the Track Record Period, including discussions with us and our internal control consultant and reviewing documents and reports with respect to our internal control measures, the Sole Sponsor is of the view that we have established reasonable internal procedures, systems and controls in this regard.

ENVIRONMENTAL MATTERS

Our business is subject to state and local environmental laws. Under the State Environmental Protection Law, the State Environmental Protection Bureau (中華人民共和國環保部) sets the environmental standards at the national level, while local environmental protection bureaus may impose more stringent requirements than the national standards. The relevant Chinese laws and regulations require any entity operating a facility that produces pollutants or other hazards to incorporate environmental protection measures into its operations and to establish an environmental protection responsibility system, mandating the adoption of effective measures to control and properly dispose of waste gases, waste water, waste residue, dust or other waste materials. New construction, expansion or reconstruction projects and other installations that directly or indirectly discharge pollutants to the environment are subject to relevant regulations governing environmental protection for such projects. The facilities for the prevention and control of pollutants are required to be designated, constructed and put into use or operation at the same time as the main structure of a construction project.

Our production facilities discharge pollutants such as air pollutants, waste water and solid wastes. We have established dust treatment and recycling systems which have improved the working environment and have passed the necessary environmental impact evaluations and environmental facilities construction completion examinations. To comply with relevant environmental laws and regulations, we have engaged professional waste management companies to manage the disposal of hazardous wastes. We have also implemented waste treatment and disposal procedures with respect to the handling of hazardous wastes, such as wastes from hazardous chemicals.

In 2014, 2015, 2016 and the six months ended June 30, 2017, our expenses in relation to environmental compliance matters were approximately RMB50,000, RMB56,000, RMB223,000 and RMB172,000, respectively. We expect our cost of compliance with applicable Chinese environmental laws, regulations and policies for 2017 will not significantly change from 2016.

In 2014, we were fined RMB10,000 by the Environmental Protection Bureau of Changping District of Beijing Municipality for inappropriate use of our air pollution prevention equipment during our production process. In addition, although a pollutant discharge permit and a sewage discharge permit for our production facilities in Changping District, Beijing are required by the law, our PRC Legal Advisor advised us that, as of the Latest Practicable Date, (i) it was impractical for us to apply for the pollutant discharge permit because the Environmental Protection Bureau of Changping District of Beijing Municipality, the competent local government authority for the pollutant discharge permit for our production facilities in Changping District, Beijing Municipality, had not promulgated procedures for applying for such permit and (ii) we were not legally required to obtain the sewage discharge permit because the sewage discharge network around our production facilities in Changping District, Beijing Municipality were under construction. As of the Latest Practicable Date, the Environmental Protection Bureau of Changping District of Beijing Municipality had orally confirmed that we would not be considered to have breached any relevant laws or regulations or be subject to any fines for not obtaining the pollutant discharge permit. As of the Latest Practicable Date, we were not subject to any investigations or administrative penalties as a result of such non-compliance. In addition, as of the Latest Practicable Date, other than the incident disclosed above, we were not subject to any claims, administrative penalties or other kinds of legal proceedings in respect of environmental protection and safety.

HEALTH AND WORK SAFETY

We are required to maintain work safety and to protect the occupational health of our employees under Chinese laws and regulations. In order to ensure that our operations are in compliance with the applicable laws and regulations, we have established policies and procedures covering a wide range of areas, such as occupational health, distribution of labor protection equipment, detection and management of safety risks, management of specialized equipment, management of potentially dangerous operations and raw materials, management of hazards and wastes, standardized operations, meetings, inspections, and training and education promoting safety production, transportation safety, protection of female employees, and accident emergency reaction plans. In addition, we have implemented measures to address potential risks relating to health and work safety. These measures include requiring our new employees to complete work safety training before they commence working at our facilities, conducting continuous employee training to enhance our employees' awareness of health and work safety issues, ensuring that all our employees operating specialized equipment possess the requisite certifications, distributing protection equipment to our employees in a timely manner, periodically inspecting our operating facilities, and formulating and implementing procedures to guide our internal departments and employees to handle work safety incidents appropriately.

During the Track Record Period, we never received any administrative penalties as a result of the violation of laws and regulations in terms of health and work safety. During the Track Record Period, we did not experience any material accidents during our production process.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We are involved, from time to time, in legal proceedings arising in the ordinary course of our operations. A majority of these legal proceedings involve claims initiated by us to recover payment from our customers. As of the Latest Practicable Date, we were not subject to actual or threatened material claims or litigations or involved in any material litigation or arbitration proceedings pending or, to our knowledge, threatened against any of our Directors that could have a material adverse effect on our business, financial condition or results of operations.

Non-Compliance Matter

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material non-compliance incidents. However, in 2014, we were fined RMB10,000 by the Environmental Protection Bureau of Changping District of Beijing Municipality for inappropriate use of our air pollution prevention equipment during our production process, which was deemed an instance of non-compliance with Article 32 of the Beijing Municipality's Air Pollution Prevention and Control Regulation (《北京市防治大氣污染條例》). The incident was a result of inadvertent oversight. We paid the fine and adopted measures to address the issue. The Environmental Protection Bureau of Changping District of Beijing Municipality conducted a re-examination of our production facilities on December 1, 2014 and concluded that we have implemented effective measures to ensure pollutants discharged by us could meet the relevant standards.

We have implemented an internal control system for compliance with local laws and regulations in both domestic and international markets. The audit committee of our Board is responsible for overseeing and reviewing our internal control procedures. It shall also review and monitor our policies and practices on compliance with legal and regulatory requirements. Based on the Sole Sponsor's due diligence investigations, including discussions with us and our internal control consultant and reviewing documents and reports with respect to our internal control measures, the Sole Sponsor is of the view that we have established reasonable internal procedures, systems and controls in minimizing the occurrences of non-compliance incidents. The Sole Sponsor is not aware of any matter that would affect the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules, or that would render us not suitable for listing under Rule 8.04 of the Listing Rules.

RISK MANAGEMENT

We have adopted and implemented a comprehensive risk management policy ("**Risk Management Policy**") since October 30, 2015. According to our Risk Management Policy, our Board is the top decision-making body regarding risk management, and is responsible for ensuring: (1) our risks are properly managed and kept to an acceptable level; (2) our financial statements are true and complete; (3) our operations and management are effective; (4) our operations and management comply with laws and regulations; and (5) our assets are well-protected. We have also established a risk management team led by our general manager to oversee the operation of our risk management system. At the department level, the department head is responsible for the risk management within each department.

Our Risk Management Policy aims to cover all the principal business areas and material matters in our ordinary cause of operation by adopting the following major steps:

- information collection;
- risk assessment;
- formulation of risk management strategies;
- formulation and implementation of risk management resolutions;
- supervision of risk management; and
- evaluation of risk management.

As of the Latest Practicable Date, we had not identified any material risk in relation to our business.

INTERNAL CONTROL

Our Directors are responsible for monitoring our internal control system and evaluating its effectiveness. In accordance with the applicable laws and regulations, we have implemented measures to establish and maintain our internal control system, including monitoring production and operational processes and compliance with local laws and regulations in both domestic and international markets.

During the Track Record Period, our Directors did not identify any material internal control weaknesses or failures.

Prior to the Track Record Period, and in particular prior to 2012, we had a policy of delivering our products to distributors generally only upon receipt of full payments. As a result, in order to fulfil orders that required immediate delivery of products for urgent surgeries, we, prior to 2012, from time to time used a financial manager's personal bank account to receive a small portion of payments from distributors. This was because, among other reasons, that at the time payments to a company's bank accounts could only be made during business hours, but payments to an individual's bank accounts could be made on a real-time basis. All such payments were promptly transferred to our bank accounts on a daily basis, and were properly booked as our revenue in each year. However, in connection with the application for the listing of AK Medical Beijing on the Shenzhen Stock Exchange in 2011, we improved our internal control over cash management and financial reporting and terminated this practice in the second half of 2011, and we have not had this practice since then.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-Allotment Option or the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), our Company will be owned as to 59.52825% in aggregate by Ximalaya and Summer.

Ximalaya is owned as to 50% by Mr. Li, who is the chief executive officer of our Company, an executive Director, the chairman of our Board, and as to 50% under the Family Trust. The Family Trust was established by Mr. Li as settlor, with Trident Trust acting as the trustee. The beneficiaries of the Family Trust are Mr. Li and certain of his family members. Trident Trust holds 100% of the issued share capital of Rainbow Holdings, which holds 50% of the issued share capital of Ximalaya.

Summer is wholly owned by Ms. Zhang Bin, who is the spouse of Mr. Li. Ms. Zhang Bin is an executive Director and a senior vice president of our Company.

Accordingly, each of Ximalaya, Summer, Trident Trust, Rainbow Holdings, Mr. Li and Ms. Zhang Bin will be our Controlling Shareholders upon the Listing. See "History, Reorganization and Development" for further details of the shareholding structure of our Controlling Shareholders.

Trident Trust is registered as a trust company on November 17, 2011 under the Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) and focuses on providing professional trustee and related services. Its main business is holding assets and properties on trust as professional trustee for its clients and does not operate any other business that may directly or indirectly compete with our business. Rainbow Holdings, Ximalaya and Summer are investment holding companies incorporated for the purpose of holding assets and properties under the Family Trust, and interests in our Company, respectively.

Save as disclosed above and except for Trident Trust's holding of assets and properties on trust as professional trustee for its clients, as of the Latest Practicable Date, none of our Controlling Shareholders, any of their respective close associates and our Directors has any interest in a business, other than our Group's business, which may, directly or indirectly, compete with our business and would require disclosure under Rule 8.10 of the Listing Rules.

Dr. Wang David Guowei, our non-executive Director, is one of the directors and one of the shareholders (holding less than 10% shareholding) in OrbiMed Advisors II Limited, which is the general partner of OrbiMed Asia GP II, L.P. and in turn the general partner of OrbiMed Asia. OrbiMed Asia focuses on medical and healthcare investments. Apart from our Group's business, OrbiMed Asia did not have interests in any other businesses that may, directly or indirectly, compete with our business as of the Latest Practicable Date.

NON-COMPETE UNDERTAKINGS

To ensure that competition will not exist in the future, each of Ximalaya, Summer, Mr. Li, Ms. Zhang Bin and Rainbow Holdings as a covenantor (each a "**Covenantor**", and collectively the "**Covenantors**") entered into the Deed of Non-Competition with us, pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken with our Company (the "**Non-Compete Undertakings**") that at any time during the Relevant Period (as defined below), each of the Covenantors shall not and shall procure that its/his/her close

associates (other than members of our Group) not to, directly or indirectly, engage in, invest in, participate in, or attempt to participate in, whether on its/his/her own account or with each other or in conjunction with or on behalf of any person or company, any business in competition with or likely to be in competition with the existing business activities of our Group (the "**Restricted Businesses**"). Trident Trust has not entered into the Deed of Non-Competition even though it is one of our Controlling Shareholders. Our Directors are of the view that as Trident Trust is only engaged in providing professional trustee and related services, its main business is holding assets and properties on trust as professional trustee for its clients and does not operate any other business that may directly or indirectly compete with our business or hold any assets or properties or interests as a beneficial owner. Accordingly, its role as trustee to the Family Trust does not pose any competition to the Restricted Businesses.

For the above purpose, the "**Relevant Period**" means the period commencing from the Listing Date and until the earlier of (i) the date on which our Shares cease to be listed on the Stock Exchange; and (ii) the date on which such Covenantor (together with his/her/its close associates), whether directly or indirectly cease to be a controlling shareholder of our Company.

The aforesaid undertaking does not apply with respect to the Covenantors' holding of or being interested in, directly or indirectly, any shares in any company which conducts or is engaged in, directly or indirectly, any business in competition with or likely to be in competition with the existing business carried on by our Group, provided that:

(a) such shares are listed on a recognized stock exchange;

(b) the total number of such shares held by any of the Covenantors and/ or their respective close associates does not amount to more than 10% of the issued shares of that class of such company in question; and

(c) any Restricted Businesses conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated revenue or consolidated assets (individually or collectively with their respective associates) as shown in that company's latest audited accounts.

New Business Opportunity

Each of the Covenantors further undertakes with our Company that, if any new business opportunity relating to the Restricted Business arises (the "**Business Opportunity**"):

(i) the Covenantors shall direct to us any such Business Opportunity by serving to our Company a written notice; and

(ii) such written notice shall include all information together with any documents possessed by it or its associates in respect of the Business Opportunity to enable our Company to evaluate the merit of the Business Opportunity and all reasonable assistance as requested by our Company to enable our Group to secure the Business Opportunity.

Upon receipt of the written notice from the Covenantors, our Group will consider whether it is in the interest of our Company and our Shareholders as a whole to pursue the Business Opportunity. For the avoidance of doubt, the Covenantors and their close associates (other than members of our Group) will not be entitled to pursue the Business Opportunity unless the Business Opportunity is declined by our Group.

In addition, it is further provided in the Deed of Non-Competition that if there is any disagreement between the Covenantors and our Company as to whether any Business Opportunity shall directly or indirectly compete or lead to competition with the Restricted Businesses, the matter shall be determined by our independent non-executive Directors whose decision shall be final and binding.

Indemnity

Each of the Covenantors jointly and severally undertakes to indemnify and keep indemnified our Group against any damage, loss or liability suffered by our Company or any other member of our Group arising out of or in connection with any breach of its undertakings and/or obligations under the Deed of Non-Competition, including any costs and expenses incurred as a result of such breach provided that the indemnity contained in this clause shall be without prejudice to any other rights and remedies our Company is entitled to in relation to any such breach, including specific performance, and all such other things and remedies are hereby expressly reserved by our Company.

CORPORATE GOVERNANCE MEASURES

Our Company has adopted the following measures to manage the conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

(a) our independent non-executive Directors will review, on an annual basis, the Deed of Non-Competition to ensure compliance with the non-compete undertakings by the Covenantors;

(b) the Covenantors undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;

(c) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition in the annual reports of our Company;

(d) the Covenantors will provide confirmation on compliance pursuant to their undertaking under the Deed of Non-Competition in the annual report of our Company;

(e) our independent non-executive Directors are empowered to engage professional advisors at our costs for advices on matters relating to any Business Opportunity or if and when they think necessary in the course of considering connected transactions or reviewing the compliance with the Deed of Non-Competition;

(f) our Company will disclose in an announcement, its interim and annual report on decision, with basis, of our independent non-executive Directors to pursue or decline the Business Opportunity;

(g) our Board will ensure that any material conflict or material potential conflict of interests involving the Covenantors will be reported to our independent non-executive Directors as soon as practicable when such conflict or potential conflict is discovered and a board meeting will be held to review and evaluate the implications and risk exposure of such

event and will monitor any material irregular business activities. The conflicted Directors shall be required to absent from participation in the board meetings on which resolutions with material potential conflicts of interest are discussed;

(h) our Company has appointed Guotai Junan Capital Limited as its compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to directors' duties and internal control; and

(i) our Company will observe any transaction that is proposed between our Group and its connected persons, and will be required to comply with Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting, annual review and independent Shareholders' approval requirements of those rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that our Group is capable of carrying on its business independently from our Controlling Shareholders and their respective associates after the Global Offering:

Delineation of Business and Non-Competition

Save as disclosed above and except for Trident Trust's holding of assets and properties on trust as professional trustee for its clients, as of Latest Practicable Date, none of our Controlling Shareholders, any of their respective close associates and our Directors has any interest in a business, other than our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business. In addition, the Covenantors have given Non-Compete Undertakings in favor of our Company. For details, see "—Non-Compete Undertakings" above.

Management Independence

Our Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. Our non-executive Directors and independent non-executive Directors will not participate in our daily operations. Each of our Directors is aware of his or her fiduciary duties as a Director which require, among others, that he or she must act for the benefit and in the best interest of our Company and must not allow any conflict between his or her duties as a Director and his or her personal interest. If there is any potential conflict of interest arising out of any transactions to be entered into between our Group and our Directors or their respective associates, the interested Director shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Mr. Li is an executive Director as well as the sole director of Ximalaya, and Ms. Zhang Bin is an executive Director as well as the sole director of Summer. Each of Ximalaya and Summer is a corporate Controlling Shareholder. Since each of Ximalaya and Summer has no business other than holding its shareholding interests in our Company, our Directors do not consider that there is any issue in relation to management independence arising from the overlapping of directors between our Company and Ximalaya, and the overlapping of directors between our Company and Summer.

Having considered the above factors as well as the Non-Compete Undertakings, our Directors are satisfied that they are able to perform their roles in our Company independently and are of the view that they are capable of managing the business of our Company independently after the Listing.

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, our Board has full rights to make all decisions on, and to carry out, its own business operations independently.

Our Company has our own management team, of which most members are independent of our Controlling Shareholders. Moreover, our Company (through its subsidiaries) holds all relevant licenses necessary to carry on its businesses, and has sufficient capital, equipment and employees to operate its business independently from our Controlling Shareholders.

Our Group has independent access to sources of distributors, customers and suppliers. Our Group has also established a set of internal control procedures which facilitate the effective operation of our Group's business. Our Controlling Shareholders had not shared any common facilities or resources during the Track Record Period and up to the Latest Practicable Date.

Our Directors currently do not expect that there will be any connected transaction between our Company and our Controlling Shareholders and their respective associates following the Listing. Our Company confirms that we will fully comply with Chapter 14A of the Listing Rules if any connected transaction arises in the future.

Financial Independence

Our Group has its own financial management system, internal control and accounting systems, accounting and finance department, independent treasury function for cash receipts and payments and the ability to operate independently from our Controlling Shareholders from a financial perspective.

Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

Having considered the above reasons, our Directors are of the view that our Group is capable of carrying its business independently of our Controlling Shareholders (including any close associates thereof) after the Listing.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements as included in Appendix I—"Accountants' Report" to this prospectus, which were prepared in accordance with IFRS, together with the accompanying notes. The following discussion and analysis include forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements due to various factors, including those set forth in "Forward-Looking Statements", "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

We are the first and only medical device company that has commercialized the application of 3D-printing technology in orthopedic joint and spine replacement implants in China, commanding a leading position in the Chinese orthopedic joint implant market. We design, develop, produce and market orthopedic implants, with a focus on hip and knee replacement implants. We also rolled out our 3D-printed spinal interbody cages and artificial vertebral bodies in 2016, thereby entering into the spine replacement implant market. Our three 3D-printed replacement implants are the first and only CFDA-approved 3D-printed orthopedic implant products in China. We also market orthopedic products produced by third parties as a distributor to complement our product offerings to customers.

We sell our products mainly through our distribution network which covers all the provinces, municipalities and autonomous regions in China. As of June 30, 2017, we had 650 distributors. We also sell a portion of our products directly to hospitals through our subsidiary which holds the medical device business certificate. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, we sold 37,475, 44,652, 57,650, 24,666 and 28,941 sets of off-the-shelf hip replacement implants, respectively, 8,920, 11,887, 17,105, 7,051 and 9,424 sets of knee replacement implants, and nil, 214, 2,842, 730 and 2,441 pieces of 3D-printed products, respectively.

We grew rapidly during the Track Record Period. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our revenue was RMB148.3 million, RMB206.2 million, RMB270.8 million, RMB115.3 million and RMB162.5 million, respectively, representing a CAGR of 35.1% from 2014 to 2016. In the same periods, we had a gross profit of RMB101.3 million, RMB142.1 million, RMB187.3 million, RMB79.9 million and RMB111.7 million, respectively, representing a CAGR of 36.0% from 2014 to 2016.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The orthopedic implant market in China has grown rapidly since 2011 and, according to Frost & Sullivan, the industry is expected to continue to grow rapidly in the next few years. Our financial condition and results of operations benefited from this market trend during the Track Record Period, and are expected to be significantly affected in the future by the growth or contraction of the orthopedic implant market in China. See "Industry Overview" for certain factors affecting the orthopedic implant market in China. In addition, our financial condition and results of operations in any given period are expected to be affected by the following factors:

- healthcare regulations and policies in China;
- product development and pipeline;

- expansion of our production capacity;
- product mix;
- expansion of our distribution network; and
- fluctuations in the supply and prices of raw materials.

Healthcare Regulations and Policies in China

The growth of China's healthcare services industry as a whole and its subsectors is to a large extent driven by government regulations and policies. In particular, our business is subject to extensive government regulation and supervision, which affect the supply, demand and pricing of orthopedic products in China, the competitive environment and the cost of compliance.

For instance, CFDA requires filings or registrations for medical devices, which must be renewed on a periodic basis. The criteria and time requirements for filing, registration and their renewal may be updated from time to time, which could significantly affect the resources and time required for launching our new products and renewing the registration of our existing products. During the Track Record Period, the increase in our sales volume and the change of average selling price of our products were partly driven by the launch of new products, which in turn had a significant impact on our revenue growth and profitability. For example, the 31.3% increase in our revenue and expansion of our gross margin from 2015 to 2016 were to a significant extent driven by our launch of new products in the year. Consequently, any significant change in CFDA registration and renewal requirements could have a material impact on our results of operations in each period.

The prices of a majority of medical devices, including orthopedic implants sold by us, are subject to extensive government regulation. We and our distributors need to participate in a public tender process to sell our products to the hospitals and medical institutions within the region. The successful bidder sells its products to the hospitals and medical institutions within the region at the bidding price offered in the bidding document. Consequently, changes in the bidding price can affect our results of operations. In particular, the requirement for participating in the public tender process often results in the bidding price for a specific product decreasing over time, therefore our products generally are subject to price pressure. If the average selling price of our products decreases, it would adversely affect our revenue and gross margin. However, we plan to continue to focus on developing and introducing, new products to the market. As new products generally have a higher selling price and gross margin as compared to older generation products, these R&D efforts are expected to help us improve our average selling price and overall profitability.

On the other hand, the Chinese government has issued policies which encourage the use of medical devices produced in China over imported products. The Chinese government also promotes the technological development of smart healthcare according to the "Health China 2030" Plan issued by the State Council. See "Industry Overview—Import Substitution with Domestic Products". Driven by these favorable government policies, from 2012 to 2016, the market share of hip and knee replacement implants produced in China increased from 50.6% to 57.0% and from 27.9% to 31.2%, respectively. Leveraging these policies, we have gained market share for all of our major products, including those for high-end orthopedic implant market sectors such as the revision surgery market. In 2016, our off-the-shelf hip and knee replacement implants were used in 7,449 revision surgeries, representing over one quarter of the total number of hip and knee replacement implants used in revision surgeries in China. In particular, the number of off-the-shelf

hip replacement implants we sold that were used in hip revision surgeries increased from 4,340 sets in 2014 to 7,087 sets in 2016. We expect that we will be able to continue to benefit from these favorable policies.

In April 2016, the Chinese government announced a pilot program in certain provinces of China to implement a "two-invoice" system which generally limits the distribution to a single level of distributors for the sale of pharmaceutical products from manufacturers to public hospitals. See "Regulation—The Two-Invoice System". During the Track Record Period and up to the Latest Practicable Date, the implementation of the "two-invoice system" had not resulted in any material effect on our financial condition and results of operations because the demand for our products from ultimate users were not affected. We expect that if more provinces begin implementing similar systems for medical devices, our existing distributors may consolidate to a certain extent, and certain existing distributors may become service providers to provide services ancillary to the use of our products in surgeries. These changes may have a positive effect on our gross margin, as there would be less levels of distributors, and we may incur additional expenses in engaging service providers to provide customer services that are now provided by sub-distributors. However, because the implementation of the "two-invoice system" is at an early stage, the interpretations and enforcement of similar systems in the medical device field have been evolving and are subject to uncertainty. Therefore, we are unable to predict how the business models will evolve in different provinces of China, and whether and how that will affect our results of operations in the future.

Product Development and Pipeline

Orthopedic implant companies generally make significant investments in R&D to modify and improve the safety and efficacy of their products in order to maintain or improve the average selling price and the overall profitability of their products portfolios. During the Track Record Period, launching new products helped us (1) increase our overall revenue base as we tapped higher-end or higher-margin sectors, (2) increase our average selling price as the new products generally had a higher selling price than existing products and (3) boost the sales of existing products as the new products were often used in conjunction with our other products in a single surgery. For example, for off-the-shelf hip replacement implants, we launched various new products such as ML series in 2015 and CL series in 2017, which increased the average selling price of our off-the-shelf hip replacement implants, and boosted the sales volume of other products that are compatible with the new products in the relevant periods. For 3D-printed products, we launched our 3D-printed hip replacement implants in 2015 and rolled out our 3D-printed spinal interbody cages and artificial vertebral bodies in 2016, which were the only CFDA 3D-printed orthopedic products approved as of the Latest Practicable Date. They were generally priced higher and had relatively high gross margins, which further drove the growth of our revenue and profit. Consequently, we expect that our R&D capabilities to develop a pipeline of new products would be a main driver of our future growth and expansion of our profit margin. As of the Latest Practicable Date, we had four products, including two hip replacement implants, one knee replacement implant and one spine replacement implant, in the post-clinical trial stage, one 3D-printed knee replacement implant in the clinical trial stage and one 3D-printed spine replacement implant pending pre-clinical trial approval. From 2018 to 2020, we plan to launch six new products, including our 3D-printed knee replacement implants.

However, R&D expenses could be material. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our R&D expenses were RMB15.5 million, RMB18.9 million, RMB20.4 million, RMB8.3 million and RMB17.9 million, respectively, representing 10.5%, 9.2%, 7.5%, 7.2% and 11.0% of our revenue, respectively. If we are unable to develop new products that are successful in the market, we may not be able to recoup our R&D expenses and our profitability may therefore suffer.

Expansion of our Production Capacity

As our business scale grows, we would need to expand our production capacity over time to produce sufficient quantities of our products to meet customer demand. As such, we have in the past few years increased our production capacity and output. For example, for our off-the-shelf knee and hip replacement implants, production capacity increased from 63,800 sets in 2014 to 102,000 sets in 2016, while their revenue increased from RMB138.3 million in 2014 to RMB241.9 million in 2016.

In order to ensure our production capacity can meet growing customer demand as well as to capture growth opportunities and expand our market share, we plan to expand our production capacity by constructing the Changzhou Facilities. We expect part of the Changzhou Facilities will have the necessary equipment installed and be ready for production by the second half of 2018. We expect that the Changzhou Facilities will reach a designed production capacity of 22,500 sets of off-the-shelf orthopedic joint implants by the end of 2018. See "Our Business—Production—Changzhou Facilities" for details.

However, expanding our production capacity involves significant capital expenditure, which may destabilize our liquidity if we are unable to generate sufficient cash flow from operations or from financing activities. In addition, expanding our production capacity generally results in higher depreciation expenses in future periods. As a result, if we are not able to maintain a sufficient utilization rate, or otherwise fail to generate sufficient profit from the expanded production capacity to offset the increased depreciation expenses, our profitability would suffer from the expansion.

Product Mix

The selling price and gross margin of our different products vary significantly. For example, among our off-the-shelf products, knee joint implants generally have a higher gross margin than our hip joint implants. As a result, our product mix in each of the reporting periods would affect our average selling price and overall gross margin. We expect that our product mix will continue to affect our overall financial performance. Therefore, we strive to continue to penetrate high-margin orthopedic product market sectors to build a more comprehensive, diverse and profitable product mix, such as by focusing on the sales of 3D-printed products and launching customized orthopedic implants.

Expansion of Our Distribution Network

We generate a majority of our revenue from sales to our distributors. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, revenue from sales to our domestic distributors was RMB138.7 million, RMB192.7 million, RMB245.4 million, RMB107.2 million and RMB153.0 million, respectively, representing 93.6%, 93.5%, 90.6%, 93.0% and 94.2% of our total revenue, respectively. Therefore, our ability to expand our distribution network is critical to the growth of our business. As of December 31, 2014, 2015, 2016 and June 30, 2017, we had 552, 595, 603 and 632 domestic distributors, respectively. As of the Latest Practicable Date, our distribution network covered over 3,000 hospitals in all of the provinces, municipalities and autonomous regions in China. We believe the coverage of our distribution network therefore is key in reaching end customers nationwide and we seek to further expand our distribution network.

However, as we grow our distribution network, we will inevitably need to compete with our competitors in attracting competent distributors through both product quality and the favorability of the terms and conditions of our distribution agreements. Granting more favorable terms and

conditions to our distributors could have an adverse effect on our financial condition. For example, in 2014, 2015 and 2016 and the six months ended June 30, 2017, we had trade receivable turnover days of 38 days, 55 days, 74 days and 75 days, respectively. The increase in trade receivable turnover days was mainly because we granted credits periods to more qualified distributors and longer credit periods to some of our other distributors to attract competent distributors so that we could maintain and expand our distribution network and enter into new markets. We also granted revolving credit to qualified distributors covering provinces in Southern China where we intend to strengthen our market presence. As we are a leading orthopedic joint implant company in China and have relatively strong bargaining power, we believe we are historically more conservative than our main domestic competitors in terms of credit periods granted to distributors. As a result, we may decide to grant more favorable credit terms to distributors in the future as we expand our distribution network. See "—Financial Risk Management and Fair Values of Financial Instruments—Credit Risk" for our policy to manage the credit risk associated with our credit policy for distributors.

Fluctuations in the Supply and Prices of Raw Materials

Fluctuations in the prices of raw materials affect our cost structure, product pricing and thereby our profits. Major raw materials used in our products include titanium alloy, cobalt-chromium-molybdenum alloy and ultra-high molecular weight polyethylene materials. According to Frost & Sullivan, the historical prices of titanium alloy, cobalt-chromium-molybdenum alloy and ultra-high molecular weight polyethylene have generally increased in China in recent years, as a result of the increasing demands for orthopedic joint implants. Due to the sufficient supply of raw materials in China market, their prices have not increased considerably in the past few years. A slow-growing trend will continue for the next few years. See "Industry Overview—Historical Prices of Major Raw Materials". Cessation in our supply of raw materials would also affect our cost of sales. We adjust our inventory level accordingly when we expect the prices of certain raw material prices to rise or fluctuate.

BASIS OF PRESENTATION

During the Track Record Period, our business was conducted through AK Medical Beijing and its subsidiary. AK Medical Beijing was owned as to 78.021% and controlled by Mr. Li before the Reorganization. Our Company was incorporated by Mr. Li in the Cayman Islands as an exempted company with limited liability on July 17, 2015. On July 21, 2015, our Company incorporated AK Medical BVI as its wholly-owned subsidiary, which in turn incorporated AK Medical HK as its wholly-owned subsidiary on July 28, 2015. On November 17, 2015, AK Medical HK acquired a 90.0% equity interest in AK Medical Beijing. On February 29, 2016, AK Medical BVI acquired all the issued shares of Bright AK HK, which owned the other 10.0% equity interest in AK Medical Beijing, and as a result our Company became the indirect owner of the entire equity interest in AK Medical Beijing. See "History, Reorganization and Development—Reorganization". AK Medical Beijing was owned by the shareholders in the same proportion before and after the Reorganization and there was no change in the economic substance of the ownership and business of AK Medical Beijing. Accordingly, no business combination has occurred and the Reorganization was accounted for using a principle similar to that for a reverse acquisition as set forth in IFRS 3, Business Combinations, with AK Medical Beijing treated as acquiror for accounting purposes. Accordingly, the financial information of our Group for the Track Record Period has been prepared as a continuation of AK Medical Beijing and the assets and liabilities of AK Medical Beijing and its subsidiary are recognized and measured at their historical carrying values prior to the Reorganization. All material intra-group transactions and balances have been eliminated on consolidation.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies are set forth in note 2 to our consolidated financial statements included in Appendix I—"Accountants' Report" to this prospectus. The preparation of our consolidated financial statements requires our management to make judgments, estimates and assumptions that affect the application of policies and the amounts reported in our consolidated financial statements. These judgments, estimates and assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments that are not readily apparent from other sources. Actual results could differ significantly. We have identified the following accounting policies as critical to an understanding of our financial condition and results of operations, because the application of these policies requires significant management judgments, estimates and assumptions, and the reporting of materially different amounts could result if different judgments were made or different estimates or assumptions were used.

Revenue Recognition

We recognize revenue when the related risks and rewards of ownership of goods are transferred to the customers. Accordingly, we generally recognize revenue when our products are delivered at distributors' premises and the distributors have accepted the goods and, in the case of direct sales to hospitals, when the hospital confirms actual use of our products. The amount of revenue in each reporting period has netted off any accrued sales rebates payable to customers in the reporting period.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. We review at the end of each reporting period the estimated useful lives of an asset and its residual value, if any, based on our historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Impairment of Trade and Other Receivables

We evaluate whether there is any objective evidence that trade and other receivables are impaired, and estimate allowances for doubtful debts as a result of the inability of the debtors to make required payments. We base the estimates on the aging of the trade and other receivables balance, creditworthiness of the customer and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

Net Realizable Value of Inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of a similar nature. These estimates could change significantly as a result of changes in customer preferences and competitor actions. We reassess these estimates at the end of each reporting period.

Income Tax

We are subject to Chinese EIT, Hong Kong profit tax and Cayman Islands Income Tax. Judgment is required in determining the provision for income tax. There are transactions in the ordinary course of business, for which the determination of actual tax amounts is uncertain at the time of the transactions. Where the final outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Recognition of deferred tax depends on our expectations of future taxable profit that will be available. Actual utilization may be different.

Sales Returns or Exchanges

Our distribution agreements do not allow our distributors to return or exchange their unsold products without our consent. However, we, in practice, have accepted certain returns and exchanges by distributors of our orthopedic implants. We believe that sales exchanges would not result in any significant outflow of our resources embodying economic benefits. Based on historical figures, sales returns represent 2.0% of our annual sales. Therefore, we have recognized revenue with a corresponding provision against revenue for estimated returns of 2.0% of our annual sales for the relevant period.

For returned products, we recognize revenue after netting off a provision representing the estimated subsequent sales returns for products sold during the reporting period. In 2014, 2015, 2016 and the six months ended June 30, 2017, our product returns resulted in the recognition of utilized provisions of RMB1.9 million, RMB1.5 million, RMB2.5 million and RMB1.6 million, respectively, all of which were unrelated to product quality, representing 1.3%, 0.7%, 0.9% and 1.0% of our total revenue, respectively. See "Our Business—Customers, Sales and Distribution—Return and Exchange of Products" for our product return policy.

During the Track Record Period, we voluntarily accepted or actively promoted product exchanges under two situations as set forth below. We only accepted or promoted such exchanges if we believed the products to be exchanged were resellable. In a situation where a distributor seeks to exchange the same product for different sizes or expiration dates, we would normally accept such requests without adjusting our revenue as the selling price of products of difference sizes or expiration dates are the same. In other situations, we voluntarily encouraged some of our selected distributors to exchange products of different types or models (1) to promote new products; and (2) to change the product mix of such distributors to accommodate the local needs, which we would account for as product returns and purchases of more desirable products, because we would require these distributors to purchase more desirable products that had an equal or higher aggregate price than the products exchanged. Any excess between the price of the new products purchased and the existing products exchanged by the distributor would be recognized as revenue upon the exchange. In 2014, 2015, 2016 and the six months ended June 30, 2017, revenue derived from such excess amounted to RMB19,491, RMB232,093, RMB177,154 and RMB69,100, respectively, representing approximately 0.01%, 0.11%, 0.07% and 0.04% of our revenue, respectively.

R&D Expenditures

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and we have sufficient resources and intend to complete the development. The expenditure capitalized includes the costs of materials, direct labor, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalized development expenditures are stated at cost less accumulated amortization and impairment losses. Other development expenditure is recognized as an expense in the period in which it is incurred.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The consolidated statements of profit or loss for the years ended December 31, 2014, 2015, 2016 and the six months ended June 30, 2017 set forth below are derived from our audited consolidated financial statements, including the notes thereto, set forth in Appendix I—"Accountants' Report" to this prospectus. The unaudited consolidated statements of profit or loss for the six months ended June 30, 2016 set forth below are derived from our unaudited consolidated financial statements set forth in Appendix I—"Accountants' Report" to this prospectus. You should read the consolidated statements of profit or loss in conjunction with our consolidated financial statements included in the Appendix I—"Accountants' Report" to this prospectus, together with the accompanying notes, which were prepared in accordance with IFRS.

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
							(unaudited)			
	(in thousands of RMB, except for percentages)									
Revenue	148,278	100.0%	206,164	100.0%	270,777	100.0%	115,347	100.0%	162,517	100.0%
Cost of sales	(46,933)	(31.7)	(64,108)	(31.1)	(83,466)	(30.8)	(35,470)	(30.8)	(50,814)	(31.3)
Gross profit	101,345	68.3	142,056	68.9	187,311	69.2	79,877	69.2	111,703	68.7
Other income	1,778	1.2	823	0.4	793	0.3	368	0.3	1,854	1.1
Selling and distribution expenses	(17,416)	(11.7)	(28,782)	(14.0)	(36,229)	(13.4)	(14,098)	(12.2)	(19,660)	(12.1)
General and administrative expenses	(12,377)	(8.3)	(22,262)	(10.8)	(38,115)	(14.1)	(20,180)	(17.5)	(18,276)	(11.2)
Research and development expenses	(15,539)	(10.5)	(18,878)	(9.2)	(20,390)	(7.5)	(8,266)	(7.2)	(17,929)	(11)
Operating profit	57,791	39.0%	72,957	35.4%	93,370	34.5%	37,701	32.7%	57,692	35.5%
Net finance income	2,506	1.7	2,994	1.5	1,657	0.6	988	0.9	478	0.3
Profit before tax	60,297	40.7	75,951	36.8	95,027	35.1	38,689	33.5	58,170	35.8
Income tax expense	(8,576)	(5.8)	(11,044)	(5.4)	(17,701)	(6.5)	(5,467)	(4.7)	(8,120)	(5.0)
Profit	51,721	34.9%	64,907	31.5%	77,326	28.6%	33,222	28.8%	50,050	30.8%

Revenue

In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our revenue amounted to RMB148.3 million, RMB206.2 million, RMB270.8 million, RMB115.3 million and RMB162.5 million, respectively. We generate our revenue primarily from the sales of our off-the-shelf products and partially from our 3D-printed products. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our revenue generated from sales of off-the-shelf products, consisting of knee replacement implants and hip replacement implants was RMB138.3 million, RMB193.3 million, RMB241.9 million, RMB104.5 million and RMB142.0 million, accounting for 93.3%, 93.7%, 89.3%, 90.6% and 87.4% of our total revenue, respectively.

We launched our first 3D-printed product in August 2015. In 2015, 2016 and the six months ended June 30, 2016 and 2017, our revenue generated from sales of our 3D-printed products was RMB1.1 million, RMB12.1 million, RMB3.0 million and RMB9.8 million, accounting for 0.5%, 4.5%, 2.6% and 6.0% of our total revenue, respectively.

The following table sets forth a breakdown of our revenue by product type for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in thousands of RMB, except percentages)									
Off-the-shelf Products										
Knee replacement implants	45,566	30.7%	60,567	29.4%	83,008	30.7%	35,418	30.7%	47,417	29.2%
Hip replacement implants[1]	92,734	62.5	132,692	64.4	158,871	58.7	69,062	59.9	94,594	58.2
3D-printed products[2]	–	–	1,060	0.5	12,131	4.5	3,004	2.6	9,777	6.0
Third party orthopedic products	9,013	6.1	9,149	4.4	10,785	4.0	5,292	4.6	6,893	4.2
Others[3]	965	0.7	2,696	1.3	5,982	2.2	2,571	2.2	3,836	2.4
Total	148,278	100.0%	206,164	100.0%	270,777	100.0%	115,347	100.0%	162,517	100.0%

(1) Excluding 3D-printed hip replacement implants.

(2) Including 3D-printed hip replacement implants, spinal interbody cages and artificial vertebral bodies.

(3) Others primarily represent surgical instruments and medical irrigators.

The increase in revenue during the Track Record Period was primarily a result of the growth in sales volume of our off-the-shelf knee and hip replacement implants and, to a lesser extent, 3D-printed products. The increase in our sales volume was mainly driven by the launch of new products and the expansion of our distribution network. See "—Factors Affecting Our Financial Condition and Results of Operations—Product Development and Pipeline" for a discussion on how the launch of new products affects our results of operations.

Off-the-Shelf Products

Our off-the-shelf products include off-the-shelf knee replacement implants and hip replacement implants.

In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, revenue from sales of knee replacement implants was RMB45.6 million, RMB60.6 million, RMB83.0 million, RMB35.4 million and RMB47.4 million, respectively, representing 30.7%, 29.4%, 30.7%, 30.7% and 29.2% of our total revenue, respectively. The increase in revenue from sales of our knee replacement implants was primarily driven by an increase in sales volume. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, we sold 8,920, 11,887, 17,105, 7,051 and 9,424 sets of knee replacement implants, respectively.

In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our revenue from sales of off-the-shelf hip replacement implants was RMB92.7 million, RMB132.7 million, RMB158.9 million, RMB69.1 million and RMB94.6 million, respectively, representing 62.5%, 64.4%, 58.7%, 59.9% and 58.2% of our total revenue, respectively. The increase in revenue from our off-the-shelf hip replacement implants was primarily driven by an increase in sales volume. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, we sold 37,475, 44,652, 57,650, 24,666 and 28,941 sets of off-the-shelf hip replacement implants, respectively.

In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, the average selling price for our knee replacement implants was RMB5,108, RMB5,095, RMB4,853, RMB5,023 and RMB5,032 per set, respectively. In the same periods, the average selling price for our off-the-shelf hip replacement implants was RMB2,475, RMB2,972, RMB2,756, RMB2,800 and RMB3,269 per set, respectively. The fluctuation in the average selling price for our off-the-shelf knee and hip replacement implants was primarily driven by the introduction of new products to our product portfolio. As new products generally have higher selling prices than comparable existing products, the timing for launches and sales volume of our new products in different periods will have a significant effect on the overall average selling price for our knee and hip replacement implants in each period. In particular, we launched various new products such as ML series in 2015 and CL series in 2017, which had higher prices than our existing products and drove the increase in the average selling price.

3D-Printed Products

We launched our CFDA-approved 3D-printed hip replacement implant in August 2015 and rolled out our 3D-printed artificial vertebral bodies and spinal interbody cages in August and September 2016, respectively. In 2015, 2016 and the six months ended June 30, 2016 and 2017, our revenue from sales of 3D-printed products was RMB1.1 million, RMB12.1 million, RMB3.0 million and RMB9.8 million, respectively. The increase in revenue from sales of our 3D-printed products was primarily driven by an increase in sales volume. In 2015, 2016 and the six months ended June 30, 2016 and 2017, we sold 214, 2,842, 730 and 2,441 pieces of 3D-printed products, respectively. The prices of our 3D-printed products vary significantly. As the commercialization of 3D-printed orthopedic implant products is in an early stage in China, our sales volume grew quickly during the Track Record Period, and we expect it will continue to grow in a relatively rapid manner in the near future.

Third Party Orthopedic Products

During the Track Record Period, we, acting as a distributor, also distributed orthopedic products produced by third parties to complement our own product portfolio. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our revenue from distributing third party orthopedic products were RMB9.0 million, RMB9.1 million, RMB10.8 million, RMB5.3 million and RMB6.9 million, representing 6.1%, 4.4%, 4.0%, 4.6% and 4.2% of our revenue, respectively. As we sell third party orthopedic products to complement our own product portfolio, we did not, and do not intend to, further expand such product offerings significantly.

Domestic and Overseas Sales

During the Track Record Period, substantially all of our revenue was generated in China, with a small percentage generated from overseas sales. The following table sets forth a breakdown of our revenue by domestic and overseas sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in thousands of RMB, except percentages)									
Domestic	148,196	99.9%	203,220	98.6%	259,249	95.7%	112,492	97.5%	159,231	98.0%
Overseas	82	0.1	2,944	1.4	11,528	4.3	2,855	2.5	3,286	2.0
Total	148,278	100.0%	206,164	100.0%	270,777	100.0%	115,347	100.0%	162,517	100.0%

Cost of Sales

In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our cost of sales was RMB46.9 million, RMB64.1 million, RMB83.5 million, RMB35.5 million and RMB50.8 million, respectively. Our cost of sales primarily consists of cost of materials, labor cost and production cost for our self-produced products, and our distribution costs for orthopedic products produced by third parties. The following table sets forth a breakdown of our cost of sales for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in thousands of RMB, except percentages)									
Self-produced products										
Cost of materials	26,740	57.0%	43,718	68.2%	53,940	64.6%	22,190	62.6%	36,021	70.9%
Labor cost	4,918	10.5	5,365	8.4	8,485	10.2	3,806	10.7	4,304	8.5
Production cost	10,404	22.2	10,609	16.5	15,288	18.3	7,103	20.0	6,414	12.6
Products produced by third parties	4,871	10.3	4,416	6.9	5,753	6.9	2,371	6.7	4,075	8.0
Total	46,933	100.0%	64,108	100.0%	83,466	100.0%	35,470	100.0%	50,814	100.0%

Cost of materials consists primarily of the cost of (1) raw materials, including mainly titanium alloy, cobalt-chromium-molybdenum alloy and ultra-high molecular weight polyethylene materials, (2) third party produced components, including ceramic heads, and (3) fees for outsourcing to third parties some processing procedures for certain products. The following table sets forth a breakdown of our cost of materials for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
							(unaudited)			
	(in thousands of RMB, except percentages)									
Cobalt-chromium-molybdenum alloy	17,136	64.1%	19,041	43.6%	23,500	43.6%	11,062	49.9%	13,653	37.9%
Titanium alloy	7,076	26.5	14,589	33.4	22,539	41.8	8,439	38.0	15,317	42.5
Ceramic heads	–	–	6,610	15.1	3,905	7.2	1,017	4.6	4,147	11.5
Ultra-high molecular weight polyethylene materials	1,062	4.0	1,673	3.8	2,111	3.9	922	4.2	1,485	4.1
Others	1,466	5.5	1,805	4.1	1,885	3.5	750	3.4	1,419	3.9
Total	26,740	100.0%	43,718	100.0%	53,940	100.0%	22,190	100.0%	36,021	100.0%

The following table sets forth a sensitivity analysis on the impact of changes in raw material prices on our gross margin and profit during the Track Record Period. A negative/positive number below indicates a decrease/increase in gross margin and profit for the period where the price of raw material increases/decreases by 10.0%, assuming the effective income tax rate was 15.0% throughout the Track Record Period.

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Gross Margin	Profit	Gross Margin	Profit	Gross Margin	Profit	Gross Margin	Profit	Gross Margin	Profit
	(in thousands of RMB, except percentages)									
Cobalt-chromium-molybdenum alloy	-1.2%/ (+1.2%)	-1,457 (+1,457)	-0.9%/ (+0.9%)	-1,618 (+1,618)	-0.8%/ (+0.8%)	-1,775 (+1,775)	-0.8%/ (+0.8%)	-740 (+740)	-0.6%/ (+0.6%)	-846 (+846)
Titanium alloy	-0.5%/ (+0.5%)	-601 (+601)	-0.7%/ (+0.7%)	-1,240 (+1,240)	-0.9%/ (+0.9%)	-2,176 (+2,176)	-1.0%/ (+1.0%)	-947 (+947)	-1.2%/ (+1.2%)	-1,683 (+1,683)
Ceramic heads	–	–	-0.3%/ (+0.3%)	-562 (+562)	-0.1%/ (+0.1%)	-332 (+332)	-0.1%/ (+0.1%)	-86 (+86)	-0.3%/ (+0.3%)	-352 (+352)
Ultra-high molecular weight polyethylene materials	-0.1%/ (+0.1%)	-90 (+90)	-0.1%/ (+0.1%)	-142 (+142)	-0.1%/ (+0.1%)	-159 (+159)	-0.1%/ (+0.1%)	-62 (+62)	-0.1%/ (+0.1%)	-92 (+92)
Others	-0.1%/ (+0.1%)	-124 (+124)	-0.1%/ (+0.1%)	-154 (+154)	-0.1%/ (+0.1%)	-142 (+142)	-0.1%/ (+0.1%)	-50 (+50)	-0.1%/ (+0.1%)	-88 (+88)

Labor cost consists primarily of compensation and benefits for our production workers. Production cost consists principally of compensation and benefits for our production management and quality control personnel, depreciation of production equipment, rent for the production facilities, cost of supplementary materials and utilities. Cost of products produced by third parties represents primarily the cost of purchasing the third party orthopedic products.

Gross Profit and Gross Margin

Gross profit represents revenue less cost of sales. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, we had gross profit of RMB101.3 million, RMB142.1 million, RMB187.3 million, RMB79.9 million and RMB111.7 million, respectively. The increase in gross profit in these periods was primarily driven by the growth of our overall business scale which drove the increase in our revenue. See "—Revenue".

Gross margin represents gross profit divided by total revenue, expressed as a percentage. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our gross margin was relatively stable, at 68.3%, 68.9%, 69.2%, 69.2% and 68.7%, respectively.

The following table sets forth a breakdown of gross margin by feature of our products for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
Off-the-shelf products					
Knee replacement implants					
For primary surgeries	68.5%	73.1%	71.6%	72.6%	73.1%
For revision surgeries	76.1	73.3	76.9	77.8	82.1
Hip replacement implants					
For primary surgeries	71.9	73.4	71.9	69.9	71.8
For revision surgeries	78.1	80.9	81.8	80.1	84.2
Common components[(1)]	66.3	61.9	60.9	61.0	60.2
3D-printed products					
Hip replacement implants	N/A	87.3	82.6	84.6	81.6
Spine replacement implants	N/A	N/A	97.8	N/A	95.9
Third-party orthopedic products	46.0	51.7	46.7	55.2	40.9
Others[(2)]	59.8	50.7	71.5	83.0	45.2
Total gross margin	68.3%	68.9%	69.2%	69.2%	68.7%

(1) Common components are components that can be used for both primary surgeries and revision surgeries.

(2) Others primarily represent surgical instruments and medical irrigators.

During the Track Record Period, gross margin of off-the-shelf orthopedic joint implants for revision surgeries generally had a higher gross margin than orthopedic joint implants for primary surgeries, as they generally required more precision in the development and production. Gross margin of our knee replacement implants for primary surgeries increased from 68.5% in 2014 to 71.6% in 2016 and further to 73.1% in the six months ended June 30, 2017. This was mainly due to an increase in the sales of our A3 Total Knee Replacement products, which had a relatively high selling price and gross margin, as a percentage of our total sales of knee replacement implants for primary surgeries. Gross margin of our knee replacement implants for revision surgeries decreased from 76.1% in 2014 to 73.3% in 2015, and increased to 76.9% in 2016 and further to 82.1% in the six months ended June 30, 2017. The decrease in 2015 was primarily because we sold more ACCK Revision Total Knee Replacement product overseas in 2015, and our selling price for overseas sales was generally lower than domestic sales because we did not have to bear various selling and distribution expenses for overseas sales and therefore were willing to quote lower prices. During the Track Record Period, gross margin of common components of off-the-shelf hip replacement implants was lower than the other types of off-the-shelf hip replacement implants. This was mainly because a majority of our common components were introduced prior to the Track Record Period and thus were priced lower.

Our 3D-printed products had a much higher gross margin as compared to other products. Our 3D-printed hip replacement implant had a gross margin of 87.3%, 82.6%, 84.6% and 81.6% in 2015, 2016 and six months ended June 30, 2016 and 2017. Our 3D-printed spine replacement implants had gross margin of 97.8% and 95.9% in 2016 and six months ended June 30, 2017. Our 3D-printed products are generally priced higher than their off-the-shelf counterparts because (1) there are no other comparable 3D-printed products in the Chinese market, which renders a competitive advantage allowing us to command higher selling prices; and (2) the higher average unit cost of producing them as 3D-printing machines are generally more expensive than our production equipment for off-the-shelf products. As a result, the gross margin of our 3D-printed products were relatively high during the Track Record Period. However, since our 3D-printed products have only recently been launched, their sales volume was relatively low during the Track Record Period. As a result, our 3D-printed products did not have a significant impact on our overall gross margin.

Other Income

The following table sets forth a breakdown of our other income for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
				(unaudited)	
	(in thousands of RMB)				
Government grant	1,649	685	778	376	563
Others	129	138	15	(8)	1,291
Total	1,778	823	793	368	1,854

In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, we had other income of RMB1.8 million, RMB0.8 million, RMB0.8 million, RMB0.4 million and RMB1.9 million, respectively. Our other income primarily consisted of ad hoc government grants we received from time to time in the form of subsidies offered to commercial entities whose R&D projects met certain criteria. A majority of government grants we received during the Track Record Period were for purpose of subsidizing our R&D projects, which are granted on an on-going basis depending on the progress of the relevant projects. We expect our outstanding R&D projects to be subsidized continuously and plan to apply for new government grants for planned R&D projects. In addition, we leased certain facilities in connection with our Changzhou Facilities on a rent-free basis, which was accounted for as a non-monetary government grant and recognized at nominal value. For details of the rent-free facilities in Changzhou, see "Our Business—Property—Leased Property—Habatun Village Property".

Selling and Distribution Expenses

The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
							(unaudited)			
	(in thousands of RMB, except percentages)									
Salary and compensation	7,266	4.9%	11,292	5.5%	14,531	5.4%	6,764	5.9%	8,192	5.0%
Promotion and advertising expenses	3,250	2.2	7,722	3.7	9,522	3.5	2,807	2.4	2,898	1.8
Traveling and transportation expenses	3,872	2.6	5,581	2.7	6,838	2.5	2,479	2.1	3,457	2.1
Office expenses	1,366	0.9	1,935	0.9	2,364	0.9	1,041	0.9	2,542	1.6
Others[1]	1,662	1.1	2,252	1.1	2,974	1.0	1,007	0.9	2,571	1.6
Total	17,416	11.7%	28,782	14.0%	36,229	13.4%	14,098	12.2%	19,660	12.1%

(1) Others primarily include depreciation, communication expenses, service fees for bidding and hospitality expenses incurred by sales personnel.

In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, we incurred selling and distribution expenses of RMB17.4 million, RMB28.8 million, RMB36.2 million, RMB14.1 million and RMB19.7 million, respectively, representing 11.7%, 14.0%, 13.4%, 12.2% and 12.1% of our revenue, respectively. Our selling and distribution expenses primarily consist of compensation and benefits for our sales and marketing personnel, promotion and advertising expenses such as costs relating to our sales and marketing personnel hosting and attending industry conferences, traveling and transportation expenses in relation to our sales, office expenses and other selling and distribution expenses.

General and Administrative Expenses

The following table sets forth a breakdown of our general and administrative expense for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
							(unaudited)			
	(in thousands of RMB, except percentages)									
Salary and compensation	4,643	3.1%	6,523	3.2%	8,021	3.0%	3,417	3.0%	5,857	3.6%
Traveling and transportation	1,900	1.3	2,855	1.4	2,748	1.0	1,148	1.0	1,731	1.1
Training fees	490	0.3	2,183	1.1	105	0.0	19	0.0	161	0.1
Other tax expenses	1,696	1.1	1,923	0.9	2,631	1.0	1,286	1.1	2,779	1.7
Consultation and service fees	1,096	0.7	1,452	0.7	2,387	0.9	1,333	1.2	1,985	1.2
Office expenses	717	0.5	783	0.4	857	0.3	297	0.3	456	0.3
Depreciation	552	0.4	686	0.3	1,125	0.4	476	0.4	1,054	0.6
Listing expenses	–	–	3,303	1.6	17,668	6.5	10,825	9.4	909	0.6
Others[(1)]	1,283	0.9	2,554	1.2	2,573	1.0	1,379	1.2	3,344	2.1
Total	12,377	8.3%	22,262	10.8%	38,115	14.1%	20,180	17.5%	18,276	11.2%

(1) Others primarily include rent, hospitality expenses incurred by management personnel, printing expenses and impairment losses.

In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, we incurred general and administrative expenses of RMB12.4 million, RMB22.3 million, RMB38.1 million, RMB20.2 million and RMB18.3 million, respectively, representing 8.3%, 10.8%, 14.1%, 17.5% and 11.2% of our revenue, respectively. Our general and administrative expenses consist primarily of compensation and benefits for our administrative personnel, traveling expenses, training program fees for our senior management and other personnel, Listing expenses and certain non-income tax expenses.

Research and Development Expenses

The following table sets forth a breakdown of our R&D expenses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue	Amount	% of Revenue
							(unaudited)			
	(in thousands of RMB, except percentages)									
Cost of materials, fuel and power	7,970	5.4%	8,675	4.2%	5,360	2.0%	2,528	2.2%	3,029	1.9%
Labor cost	3,193	2.2	4,074	2.0	7,081	2.6	2,746	2.4	3,831	2.4
Cost of experiments and clinical trials	588	0.4	2,479	1.2	3,258	1.2	992	0.9	6,969	4.3
Depreciation	1,412	1.0	1,391	0.7	1,965	0.7	812	0.7	1,839	1.1
Others[(1)]	2,376	1.6	2,259	1.1	2,726	1.0	1,188	1.0	2,261	1.4
Total	15,539	10.5%	18,878	9.2%	20,390	7.5%	8,266	7.2%	17,929	11.0%

(1) Others primarily include fees incurred for patent applications, rent for R&D facilities, traveling expenses for our R&D personnel and amortization of intangible assets.

In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, we incurred R&D expenses of RMB15.5 million, RMB18.9 million, RMB20.4 million, RMB8.3 million and RMB17.9 million, respectively, representing 10.5%, 9.2%, 7.5%, 7.2% and 11.0% of our revenue, respectively. Our R&D expenses primarily consist of cost of materials, fuel and power for our laboratories, compensation and benefits for our R&D personnel, cost of experiments and clinical trials, and depreciation expenses on R&D equipment. Our R&D expenses depend to a large extent on the development stages of our R&D projects. For example, if we have many on-going R&D projects at the experiment and trial stage in the relevant reporting period, we would incur significant costs for experiments and clinical trials. Despite our continuing investments in our R&D activities, which resulted in an increase in the absolute amounts of R&D expenses incurred during the Track Record Period, our R&D expenses as a percentage of revenue decreased from 2014 to 2016, which reflected economies of scale.

Net Finance Income

The following table sets forth a breakdown of our net finance income for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
				(unaudited)	
	(in thousands of RMB)				
Interest income from bank deposit	725	1,211	467	140	532
Investment income from available-for-sale financial assets	1,690	1,123	–	–	–
Foreign currency exchange gain/(loss)	91	660	1,190	848	(54)
Total	2,506	2,994	1,657	988	478

In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, we had net finance income of RMB2.5 million, RMB3.0 million, RMB1.7 million, RMB1.0 million and RMB0.5 million, respectively. Our net finance income primarily consists of (1) interest income from our deposits with banks, (2) investment income from available-for-sale financial assets which are wealth management products, and (3) gains from foreign currency exchange. See "—Analysis of Selected Consolidated Balance Sheet Items—Available-for-Sale Financial Assets" for a discussion on the wealth management products we purchased during the Track Record Period. As of December 31, 2016 and June 30, 2017, we had no outstanding wealth management products.

Income Tax Expense

The following table sets forth a breakdown of our income tax expense for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
				(unaudited)	
	(in thousands of RMB)				
Current tax expense	9,498	11,747	15,594	5,969	9,822
Deferred tax	(922)	(703)	2,107	(502)	(1,702)
Total	8,576	11,044	17,701	5,467	8,120

Our main operating subsidiary in China, AK Medical Beijing, is registered as a new and high technology enterprise in China, and therefore was entitled to a preferential income tax rate of 15.0%, compared to the standard EIT rate of 25.0% in China, on its assessable profits during the Track Record Period. AK Medical Beijing's preferential tax treatment is valid through October 31, 2017. In August 2017, AK Medical Beijing extended its qualification as a High and New Technology Enterprise to 2020.

We calculate our income tax provision for our operations in mainland China using the applicable tax rate on our estimated assessable profits for the year based on existing legislation, interpretations and practices.

In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our income tax expenses were RMB8.6 million, RMB11.0 million, RMB17.7 million, RMB5.5 million and RMB8.1 million, respectively. In 2014, 2015 and 2016, our effective income tax rate was 14.2%, 14.5% and 18.6%, respectively. Our effective income tax rate was higher in 2016 due to our PRC subsidiaries' distributable earnings which are subject to 10% withholding tax when paid to our Company. Our effective income tax rate remained stable at 14.1% in the six months ended June 30, 2016 and 14.0% in the same period in 2017.

Deferred tax generally arises where there are differences between the tax basis and accounting basis. In 2014, 2015, 2016 and six months ended June 30, 2016 and 2017, our deferred tax arose primarily from accrued but unpaid sales rebates to our distributors as of the end of each reporting period, provisions for impairment of doubtful debts and government grants received in each reporting period. Sales rebates are netted off from our revenue on an accounting basis, but are not deductible on a tax basis until they have been settled. Deferred tax assets from government grants arise when certain government grants, typically those received for asset purchases, are recognized on an accounting basis over a period of several years but are taxed upon receipt of the grant. As a result, we recognized deferred tax assets of RMB4.2 million, RMB4.9 million, RMB6.7 million and RMB8.4 million as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Revenue

Our revenue increased by 40.9% from RMB115.3 million in the six months ended June 30, 2016 to RMB162.5 million for the same period in 2017, primarily due to an increase in sales of our off-the-shelf knee and hip replacement implants and 3D-printed products.

Revenue from sales of our knee replacement implants increased by RMB12.0 million, or 33.9%, from RMB35.4 million in the six months ended June 30, 2016 to RMB47.4 million for the same period in 2017. The increase was primarily due to an increase in the sales volume of our knee replacement implants from 7,051 sets in the six months ended June 30, 2016 to 9,424 sets in the same period in 2017. The increase in sales volume was primarily attributable to (1) an expansion of our distribution network, which increased to 650 as of June 30, 2017 from 609 as of January 1, 2016 and (2) to a lesser extent, the introduction of our A3 GT Knee Replacement towards the end of 2016. The average selling price of our knee replacement implants remained stable in the six months ended June 30, 2016 and 2017, at RMB5,023 per set and RMB5,032 per set, respectively.

Revenue from sales of our off-the-shelf hip replacement implants increased by RMB25.5 million, or 37.0%, from RMB69.1 million in the six months ended June 30, 2016 to RMB94.6 million for the same period in 2017. The increase was primarily driven by an increase in the sales volume of our off-the-shelf hip replacement implants from 24,666 sets in the six months ended June 30, 2016 to 28,941 sets in the same period in 2017. The increase in sales volume was mainly a result of (1) the launch of new products, (2) an expansion of our distribution network, which increased to 650 as of June 30, 2017 from 609 as of January 1, 2016 and (3) enhanced penetration of hospitals as our 3D ACT solutions continued to gain recognition. The average selling price of our off-the-shelf hip replacement implants increased from RMB2,800 per set in the six months ended June 30, 2016 to RMB3,269 per set in the same period in 2017.

Revenue from sales of 3D-printed products increased significantly from RMB3.0 million in the six months ended June 30, 2016 to RMB9.8 million in the six months ended June 30, 2017, primarily due to an increase in sales volume driven by our 3D-printed hip replacement implants and our 3D-printed artificial vertebral bodies and spinal interbody cages launched in August and September 2016, respectively.

Revenue from sales of third party orthopedic products increased by RMB1.6 million, or 30.3%, from RMB5.3 million in the six months ended June 30, 2016 to RMB6.9 million for the same period in 2017 due to an increase in the sales volume driven by certain third party orthopedic joint implants we started to sell in 2017.

Cost of Sales

Our cost of sales increased by 43.3% from RMB35.5 million in the six months ended June 30, 2016 to RMB50.8 million in the same period in 2017, primarily driven by our sales growth. Cost of materials increased by 62.3% from RMB22.2 million in the six months ended June 30, 2016 to RMB36.0 million in the same period in 2017, primarily because the prices of ultra-high molecular weight polyethylene materials increased in the global market.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 39.8% from RMB79.9 million in the six months ended June 30, 2016 to RMB111.7 million in the same period in 2017. The increase in our gross profit was primarily driven by an increase in our revenue.

Our gross margin, which is equal to gross profit divided by revenue, decreased from 69.2% in the six months ended June 30, 2016 to 68.7% in the same period in 2017. The decrease was primarily due to changes in our product mix.

Other Income

Other income was RMB0.4 million in the six months ended June 30, 2016 and consisted primarily of a government grant. Other income was RMB1.9 million in the six months ended June 30, 2017 and consisted primarily of a government grant and a reward from tax authorities for our payment of individual income tax on behalf of our employees.

Selling and Distribution Expenses

Our selling and distribution expenses increased by RMB5.6 million, or 39.5%, from RMB14.1 million in the six months ended June 30, 2016 to RMB19.7 million in the same period in 2017. This was primarily a result of (1) an increase in the salary and compensation for our sales and marketing personnel due to an increase in our headcount and an overall increase in employee wages, (2) an increase in office expenses due to an increase in rent for the newly leased building mainly used by our sales and marketing personnel and (3) an increase in product samples we distributed to promote new products.

General and Administrative Expenses

Our general and administrative expenses decreased by RMB1.9 million, or 9.4%, from RMB20.2 million in the six months ended June 30, 2016 to RMB18.3 million for the same period in 2017. This was primarily driven by a decrease in Listing expense by RMB9.9 million partially offset by increases in (1) salary and compensation by RMB2.4 million due to an increase in our headcount and an overall increase in employee wages, (2) others by RMB2.0 million primarily due to an increase in the provision for impairment of doubtful debts, as a result of the additional provisions of RMB2.3 million for receivables outstanding from two hospitals overdue for a relatively long term we made in the same period, and (3) other tax expenses by RMB1.5 million resulting from an increase in withholding tax due to the payment of Listing expenses through an overseas subsidiary.

Research and Development Expenses

R&D expenses increased by RMB9.7 million, or 116.9%, from RMB8.3 million in the six months ended June 30, 2016 to RMB17.9 million in the same period in 2017. This was primarily due to (1) an increase in experiment costs by RMB6.0 million relating to our R&D activities under our cooperation agreements with certain renowned hospitals and fees incurred for clinical trials, (2) an increase in others by RMB1.1 million due to expenditures for the demonstration and proof of R&D results in conjunction with patent applications and (3) an increase in depreciation by RMB1.0 million related to 3D-printing machines for R&D purposes.

Operating Profit

As a result of an increase in gross profit and prudent expense control, our operating profit increased by 53.0% from RMB37.7 million in the six months ended June 30, 2016 to RMB57.7 million for the same period in 2017.

Net Finance Income

Net finance income decreased from RMB1.0 million in the six months ended June 30, 2016 to RMB0.5 million for the same period in 2017 primarily due to the foreign exchange loss of RMB0.05 million in the six months ended June 30, 2017 as compared to a foreign currency exchange gain of RMB0.8 million for the same period in 2016, partially offset by an increase by RMB0.4 million in interest income from bank deposits due to an increase in our bank deposit balances.

Profit before Tax

As a result of the foregoing, our profit before tax increased by RMB19.5 million, or 50.4% from RMB38.7 million in the six months ended June 30, 2016 to RMB58.2 million for the same period in 2017.

Income Tax Expense

Income tax expense increased by RMB2.7 million, or 48.5%, from RMB5.5 million in the six months ended June 30, 2016 to RMB8.1 million for the same period in 2017, primarily driven by an increase in our profit before tax.

Profit

As a result of the foregoing, our profit increased by RMB16.8 million, or 50.7%, from RMB33.2 million in the six months ended June 30, 2016 to RMB50.1 million for the same period in 2017.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue

Our revenue increased by 31.3% from RMB206.2 million in 2015 to RMB270.8 million in 2016, primarily due to an increase in sales of both our off-the-shelf knee and hip replacement implants and, to a lesser extent, sales of our 3D-printed products.

Revenue from sales of our knee replacement implants increased by RMB22.4 million, or 37.1%, from RMB60.6 million in 2015 to RMB83.0 million in 2016. The increase was primarily due to a significant increase in the total sales volume from 11,887 sets in 2015 to 17,105 sets in 2016. The increase in the sales volume of our knee replacement implants was primarily attributable to (1) an expansion of our distribution network, which grew from 609 distributors as of December 31, 2015 to 637 distributors as of December 31, 2016 and (2) the introduction of our A3 GT Knee Replacement. The average selling price of our knee replacement implants slightly decreased from RMB5,095 per set in 2015 to RMB4,853 per set in 2016, respectively.

Revenue from sales of our off-the-shelf hip replacement implants increased by RMB26.2 million, or 19.7%, from RMB132.7 million in 2015 to RMB158.9 million in 2016. The increase was primarily driven by an increase in the total sales volume of our off-the-shelf hip replacement implants from 44,652 sets in 2015 to 57,650 sets in 2016. The increases in the total sales volume were mainly a result of (1) an increase in sales volume driven by our high-end hip replacement implant series launched in late 2015, (2) an expansion of our distribution network, which grew from 609 distributors as of December 31, 2015 to 637 distributors as of December 31, 2016 and (3) enhanced penetration of hospitals as our 3D ACT solutions continued to gain recognition. The average selling price of our off-the-shelf hip replacement implants slightly decreased from RMB2,972 per set in 2015 to RMB2,756 per set in 2016.

Revenue from sales of our 3D-printed products increased significantly from RMB1.1 million in 2015 to RMB12.1 million in 2016. The increase was primarily driven by an increase of sales of 3D-printed hip replacement implant and the launch of our spinal interbody cages and artificial vertebral bodies in 2016.

Revenue from sales of third party orthopedic products increased by RMB1.6 million, or 17.9%, from RMB9.1 million in 2015 to RMB10.8 million in 2016 due to an increase in the sales volume of third party orthopedic joint implants.

Cost of Sales

Our cost of sales increased by 30.2% from RMB64.1 million in 2015 to RMB83.5 million in 2016, primarily driven by the increase in our sales volume. Cost of materials increased by 23.4% from RMB43.7 million to RMB53.9 million from 2015 to 2016, primarily reflecting the increase in our overall sales volume.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 31.9% from RMB142.1 million in 2015 to RMB187.3 million in 2016. The increase in our gross profit was primarily driven by an increase in our revenue.

Our gross margin, which is equal to gross profit divided by revenue, increased from 68.9% in 2015 to 69.2% in 2016. The increase was primarily driven by the economies of scale we achieved as our business scale grew.

Other Income

Other income was RMB0.8 million and RMB0.8 million in 2015 and 2016, respectively, consisting primarily of a government grant of RMB0.7 million and RMB0.8 million, respectively.

Selling and Distribution Expenses

Our selling and distribution expenses increased by RMB7.4 million, or 25.9%, from RMB28.8 million in 2015 to RMB36.2 million in 2016. This was primarily a result of (1) an increase in the salary and compensation for our sales and marketing personnel by RMB3.2 million due to an increase in our headcount and an overall increase in employee wages and (2) an increase in promotion and advertising expenses by RMB1.8 million primarily because we enhanced our efforts to market our new products that were launched in 2016.

General and Administrative Expenses

Our general and administrative expenses increased by RMB15.9 million, or 71.2%, from RMB22.3 million in 2015 to RMB38.1 million in 2016. This was primarily driven by (1) Listing expenses incurred and (2) an overall increase in employee salaries and benefits, partially offset by a decrease in training expenses.

Research and Development Expenses

R&D expenses increased by RMB1.5 million, or 8.0%, from RMB18.9 million in 2015 to RMB20.4 million in 2016, which reflected the progress of our R&D projects.

Operating Profit

As a result of an increase in gross profit and prudent expense control, our operating profit increased by 28.0% from RMB73.0 million in 2015 to RMB93.4 million in 2016.

Net Finance Income

Net finance income decreased from RMB3.0 million in 2015 to RMB1.7 million in 2016 primarily due to (1) a decrease of RMB1.1 million in investment income from available-for-sale financial assets because we did not reinvest in wealth management products when they matured in 2015 and (2) a decrease of RMB0.7 million in interest income from bank deposits, partially offset by an increase of RMB0.5 million in foreign currency exchange gain as a result of our holdings of U.S. dollar-denominated investments and the appreciation of U.S. dollars against renminbi.

Profit before Tax

As a result of the foregoing, our profit before tax increased by RMB19.1 million, or 25.1% from RMB76.0 million in 2015 to RMB95.0 million in 2016.

Income Tax Expense

Income tax expense increased by RMB6.7 million, or 60.3%, from RMB11.0 million in 2015 to RMB17.7 million in 2016, primarily due to our PRC subsidiaries' distributable earnings which are subject to 10% withholding tax when paid to our Company.

Profit

As a result of the foregoing, our profit for the year increased by RMB12.4 million, or 19.1%, from RMB64.9 million in 2015 to RMB77.3 million in 2016.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenue

Our revenue increased by 39.0% from RMB148.3 million in 2014 to RMB206.2 million in 2015, primarily due to an increase in sales of both our knee and hip replacement implants.

Revenue from sales of our knee replacement implants increased by RMB15.0 million, or 32.9%, from RMB45.6 million in 2014 to RMB60.6 million in 2015. The increase was primarily due to a significant increase in the total sales volume of our knee replacement implants from 8,920 sets in 2014 to 11,887 sets in 2015. The increase in the sales volume of our knee replacement implants was primarily attributable to (1) a significant increase in the sales volume of our new A3 Total Knee Replacement products from 5,024 in 2014 to 8,545 in 2015 and (2) an expansion of our distribution network, which grew from 553 distributors as of the end of 2014 to 609 distributors as of the end of 2015. The average selling price of our knee replacement implants remained stable in 2014 and 2015 at RMB5,108 per set and RMB5,099 per set, respectively.

Revenue from sales of our off-the-shelf hip replacement implants increased by RMB40.0 million, or 43.1%, from RMB92.7 million in 2014 to RMB132.7 million in 2015. The increase was primarily driven by (1) an increase in the total sales volume of our off-the-shelf hip replacement implants from 37,475 sets in 2014 to 44,652 sets in 2015 and (2) an increase in the average selling price from RMB2,475 to RMB2,992 per set. The increases in both the total sales volume and the average sales price were mainly a result of the launch of our 3D-printed hip implant product and other high-end hip replacement implants including those using ceramic heads, highly crosslinked polyethylene liner and ML series products. The increase in sales volume was also driven by an expansion of our distribution network, which grew from 553 distributors as of December 31, 2014 to 609 distributors as of December 31, 2015.

Revenue from sales of third party orthopedic products remained stable in 2014 and 2015.

Cost of Sales

Our cost of sales increased by 36.6% from RMB46.9 million in 2014 to RMB64.1 million in 2015, primarily driven by an increase in our sales volume. Cost of materials increased by 63.5% from RMB26.7 million to RMB43.7 million from 2014 to 2015, primarily reflecting the increase in our overall sales volume. Labor cost and production cost increased by 9.1% from RMB4.9 million to RMB5.4 million and 2.0% from RMB10.4 million to RMB10.6 million, respectively, reflecting the increase in our overall sales volume, partially offset by the saved production cost associated with our use of third party manufactured components and our outsourcing to third parties of some processing procedures for certain products, such as surgical instruments.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 40.2% from RMB101.3 million in 2014 to RMB142.1 million in 2015. The increase in our gross profit was primarily driven by an increase in our revenue.

Our gross margin, which is equal to gross profit divided by revenue, increased from 68.3% in 2014 to 68.9% in 2015. The increase was primarily driven by the economies of scale we achieved as our business scale grew and our launch of 3D-printed hip replacement implants and high-end off-the-shelf hip replacement implants in 2015.

Other Income

Other income was RMB1.8 million and RMB0.8 million in 2014 and 2015, respectively, consisting primarily of a government grant of RMB1.6 million and RMB0.7 million, respectively.

Selling and Distribution Expenses

Our selling and distribution expenses increased by RMB11.4 million, or 65.3%, from RMB17.4 million in 2014 to RMB28.8 million in 2015. This was primarily a result of an increase in promotion and advertising expenses by RMB4.5 million primarily because we enhanced our efforts to market our new off-the-shelf and 3D-printed hip replacement implants launched in 2015 and an increase in the salary and compensation for our sales and marketing personnel by RMB4.0 million due to an increase in our headcount and an overall increase in employee wages.

General and Administrative Expenses

Our general and administrative expenses increased by RMB9.9 million, or 79.9%, from RMB12.4 million in 2014 to RMB22.3 million in 2015. This is primarily driven by (1) Listing expenses, (2) increases in compensation for our management, (3) training expenses relating to our management continuing education program, including sending certain members of our senior management to attend executive MBA programs and (4) an increase in traveling and transportation expenses.

Research and Development Expenses

R&D expenses increased by RMB3.3 million, or 21.5%, from RMB15.5 million in 2014 to RMB18.9 million in 2015. This was primarily due to an increase in our cost of experiments and clinical trials for our increased number of on-going R&D projects.

Operating Profit

As a result of an increase in gross profit and prudent expense control, our operating profit increased by 26.2% from RMB57.8 million in 2014 to RMB73.0 million in 2015.

Net Finance Income

Net finance income increased from RMB2.5 million in 2014 to RMB3.0 million in 2015 primarily driven by (1) an increase of RMB0.6 million in the foreign currency exchange gain and (2) an increase of RMB0.5 million in interest income from bank deposits, partially offset by a decrease of RMB0.6 million in investment income from available-for-sale financial assets which are wealth management products. All these wealth management products matured in 2015 and we decided not to reinvest the proceeds into any wealth management products in order to fund dividend payments and to purchase production equipment, resulting in a decrease in the interest income from available-for-sale financial assets.

Profit before Tax

As a result of the foregoing, our profit before tax increased by RMB15.7 million, or 26.0% from RMB60.3 million in 2014 to RMB76.0 million in 2015.

Income Tax Expense

Income tax expense increased by RMB2.5 million, or 28.8%, from RMB8.6 million in 2014 to RMB11.0 million in 2015, primarily driven by an increase in our profit before tax.

Profit

As a result of the foregoing, our profit for the year increased by RMB13.2 million, or 25.5%, from RMB51.7 million in 2014 to RMB64.9 million in 2015.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of capital are to fund our working capital, R&D activities and expansion of production. During the Track Record Period, we financed these capital requirements primarily through cash flows generated from our operating activities and proceeds from the Pre-IPO Investment in July 2015. After the Listing, we intend to continue to fund our capital requirements using primarily cash flows generated from our operating activities, and the proceeds from the Global Offering. We currently do not expect any significant changes in the mix and the relative costs of our capital resources.

Cash Flows

The following table sets forth our cash flows for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
				(unaudited)	
	(in thousands of RMB)				
Net cash generated from operating activities	51,092	36,302	69,643	5,676	56,479
Net cash (used in)/generated from investing activities	(16,020)	44,462	(27,166)	(18,816)	(26,901)
Net cash (used in)/generated from financing activities	(30,600)	(23,911)	14,037	45,491	(23,403)
Net increase in cash and cash equivalents	4,472	56,853	56,514	32,351	6,175

Net Cash Generated from Operating Activities

In the six months ended June 30, 2017, we had net cash generated from operating activities of RMB56.5 million, which was primarily attributable to profit before tax of RMB58.2 million, adjusted to reflect primarily (1) an increase in inventories by RMB17.0 million due to the growth of our business scale, our launch of various new products, of which we needed to build up our inventory level for future sales, and our stocking up of certain raw materials of which we expected the price to rise or availability to become limited; and (2) an increase in trade and bill receivables by RMB10.5 million due primarily to an increase in our revenue. Such adjustments were partially offset by adjusting for (1) an increase in accruals and other payables of RMB14.7 million due to accrued employee compensation and Listing expenses, (2) an increase in trade payables by RMB10.2 million due to the growth of our business scale and (3) non-cash depreciation of property, plant and equipment of RMB5.2 million relating mainly to the depreciation of our newly acquired equipment for R&D and production.

In 2016, we had net cash generated from operating activities of RMB69.6 million, which was primarily attributable to profit before tax of RMB95.0 million, adjusted to reflect primarily (1) an increase in trade and bills receivables of RMB24.3 million due to an increase in our revenue and because we granted credit periods to more qualified distributors and longer credit periods to some of our other distributors to attract competent distributors so that we could maintain and expand our distribution network and enter into new markets and (2) an increase in inventories of RMB9.4 million due to the growth of our business scale, our launch of various new products, of which we needed to build up our inventory level for future sales, and our stocking up of certain raw materials of which we expected the price to rise. Such adjustments were partially offset by adjusting for (1) non-cash depreciation of property, plant and equipment of RMB7.9 million relating mainly to the depreciation of our newly acquired equipment for R&D and production; (2) an increase in accruals and other payables of RMB6.0 million due to accrued employee compensation and Listing expenses and (3) an increase in trade payables of RMB4.3 million due to the growth of our business scale.

In 2015, we had net cash generated from operating activities of RMB36.3 million, which was primarily attributable to profit before tax of RMB76.0 million, adjusted to reflect primarily (1) an increase in trade and bills receivables of RMB34.3 million due to an increase in our revenue and because we granted credit periods to more qualified distributors and longer credit periods to some of our other distributors to attract competent distributors so that we could maintain and expand our distribution network and enter into new markets, (2) an increase in inventories of RMB23.7 million driven by the growth of our business scale and our launch of various new products including hip replacement implants that utilize ceramic heads and highly crosslinked polyethylene liner and ML series products, of which we needed to build up our inventory for future sales and (3) income tax paid of RMB8.6 million. Such adjustments were partially offset by adjusting for (1) an increase in trade payables of RMB14.8 million driven by the growth of our business scale, (2) an increase in accruals and other payables of RMB8.4 million primarily due to accrued employee compensation and (3) adding back non-cash depreciation of property, plant and equipment of RMB4.6 million relating mainly to the depreciation of our production facilities, offices and warehouses.

In 2014, we had net cash generated from operating activities of RMB51.1 million, which was primarily attributable to profit before tax of RMB60.3 million, adjusted to reflect primarily (1) income tax paid of RMB8.4 million, (2) an increase in trade and bills receivables of RMB8.1 million primarily due to an increase in our revenue and (3) an increase in inventories of RMB3.3 million mainly driven by the growth of our business scale. Such adjustments were partially offset by adjusting for (1) an increase in trade payables of RMB5.5 million primarily driven by the growth of our business scale and (2) adding back non-cash depreciation of property, plant and equipment of RMB4.3 million relating mainly to the depreciation of our production facilities, offices and warehouses.

Net Cash (Used In)/Generated from Investing Activities

Our cash used in and generated from investing activities reflect primarily purchases and sales of available-for-sale financial assets, purchases of property, plant and equipment, interest on bank deposits and wealth management products, purchases of other intangible assets and certain government grants received for asset purchases.

Net cash used in investing activities in the six months ended June 30, 2017 was RMB26.9 million, which was primarily attributable to (1) acquisitions of property, plant and equipment of RMB24.4 million, which mainly related to the construction of our production facilities and procurement of equipment for R&D and (2) acquisitions of other intangible assets of RMB3.0

million, which mainly related to our acquisition of patents and CFDA registration certificates to strengthen our patent portfolio and our prospective products.

Net cash used in investing activities in 2016 was RMB27.2 million, which was primarily attributable to acquisitions of property, plant and equipment of RMB28.4 million, which mainly related to the procurement of equipment for R&D and production.

Net cash generated from investing activities in 2015 was RMB44.5 million, which was primarily attributable to (1) proceeds from sale of and acquisition of available-for-sale financial assets, which were wealth management products, of RMB165.0 million and RMB95.0 million, respectively, (2) acquisition of property, plant and equipment of RMB24.4 million, which mainly related to the purchase of production and R&D equipment and (3) acquisition of other intangible assets of RMB3.0 million, which was principally related to management and R&D software.

Net cash used in investing activities in 2014 was RMB16.0 million, which was primarily attributable to (1) acquisition of and proceeds from sale of available-for-sale financial assets, which were certain wealth management products, of RMB310.0 million and RMB295.0 million, respectively and (2) acquisition of property, plant and equipment of RMB6.1 million, which mainly related to the purchase of production and R&D equipment.

Net Cash (Used in)/Generated from Financing Activities

During the Track Record Period, dividends paid to our Shareholders were RMB30.6 million in 2014, RMB97.9 million in 2015, RMB50.1 million in 2016 and RMB23.1 million in the six months ended June 30, 2017, respectively. In 2015 and 2016, we received a capital injection in the amount of RMB74.0 million and RMB66.0 million, respectively, in connection with the Pre-IPO Investment.

Capital Management

Our capital management objectives are to safeguard our ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance Shareholders' value in the long term.

We actively and regularly review and manage our capital structure to maintain a balance between the higher Shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and make adjustments to the capital structure in light of changes in economic conditions.

During the Track Record Period, we did not have any interest-bearing debts. Neither our Company nor any of our subsidiaries are subject to externally imposed capital requirements.

Capital Expenditure

Our capital expenditure was used primarily for acquisitions of production equipment, construction of production facilities, leasehold improvements, purchases and improvements of IT systems and capitalization of certain development costs. The following table sets forth our capital expenditure for the periods indicated:

	For the year ended December 31,			Six months ended June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
Additions of:				
Property, plant and equipment	6,199	25,463	28,903	24,490
Intangible assets	1,412	4,588	1,538	2,996
Total	7,611	30,051	30,441	27,486

During the Track Record Period, we funded our capital expenditure primarily with cash generated from operating activities and proceeds from the Pre-IPO Investment. See "History, Reorganization and Development—Pre-IPO Investment" for details of the Pre-IPO Investment. The significant increase in capital expenditure in 2015 related mainly to acquisitions of new equipment for production and R&D, including those for 3D-printed products. In the second half of 2017 and the year of 2018, we expect to incur capital expenditure of RMB20.2 million and RMB51.7 million, respectively, primarily for the expansion of our production capacity and procurement of equipment and software for R&D activities, subject to future market conditions. Among the total capital expenditure of RMB47.7 million expected to be incurred in 2017, RMB38.7 million is in connection with the Changzhou Facilities, RMB5.7 million is in connection with the R&D and production of our 3D-printed products and RMB3.3 million is in connection with the R&D and production of our other products. We expect to incur additional depreciation of RMB1.8 million in 2018 as a result of the total capital expenditure in 2017, among which RMB0.9 million is in connection with the Changzhou Facilities, RMB0.5 million is in connection with the R&D and production of our 3D-printed products and RMB0.4 million is in connection with the R&D and production of our other products. We plan to fund our planned capital expenditure in 2017 and 2018 using primarily cash flows generated from our operating activities and net proceeds from the Global Offerings. We may also use bank borrowings if needed. See "Our Business—Production—Changzhou Facilities" for our plans for the Changzhou Facilities and "Future Plans and Use of Proceeds—Use of Proceeds" for the portion of capital expenditure expected to be funded by the net proceeds from the Global Offering.

Working Capital

We had net current assets of RMB126.0 million, RMB123.2 million, RMB223.4 million, RMB225.9 million and RMB223.1 million as of December 31, 2014, 2015, 2016, June 30 and October 31, 2017, respectively. The following table sets forth a breakdown of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2014	2015	2016	2017	2017
					(unaudited)
	(in thousands of RMB)				
Current assets					
Inventories	34,720	58,400	67,805	84,848	94,013
Trade receivables	18,975	43,330	66,757	66,131	96,264
Bills receivable	5,073	14,531	14,773	23,590	14,469
Deposits, prepayments and other receivables	5,108	7,618	12,525	13,209	21,580
Available-for-sale financial assets	70,000	—	—	—	—
Cash and cash equivalents	43,161	100,094	160,597	165,628	104,013
Total	177,037	223,973	322,457	353,406	330,340
Current liabilities					
Trade payables	14,691	29,408	33,740	43,974	32,483
Accruals and other payables	16,530	45,021	31,195	45,876	41,069
Current tax	2,707	5,875	8,917	11,382	7,485
Deferred revenue	15,373	18,033	21,922	22,209	22,076
Provisions	1,764	2,482	3,260	4,027	4,086
Total	51,065	100,819	99,034	127,468	107,199
Net current assets	125,972	123,154	223,423	225,938	223,141

Taking into account the financial resources available to us, including the expected cash flows generated from our operations and the estimated net proceeds from the Global Offering, our Directors are of the opinion that we will have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus. After due consideration of the foregoing factors and discussions with our management, the Sole Sponsor has no reason to believe that the Directors' foregoing belief is unreasonable.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The consolidated statements of financial position as of December 31, 2014, 2015, 2016 and June 30, 2017 set forth below are derived from our consolidated financial statements, including the notes thereto, set forth in Appendix I—"Accountants' Report" to this prospectus. You should read the consolidated statements of financial position in conjunction with our consolidated financial statements included in the Appendix I—"Accountants' Report" to this prospectus, together with the accompanying notes, which were prepared in accordance with IFRS.

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
Non-current assets				
Property, plant and equipment	29,528	48,908	69,837	88,918
Intangible assets	1,820	5,947	6,571	9,131
Deferred tax assets	4,174	4,877	6,670	8,372
Other non-current assets	88	45	—	—
Total non-current assets	35,610	59,777	83,078	106,421
Current assets				
Inventories	34,720	58,400	67,805	84,848
Trade receivables	18,975	43,330	66,757	66,131
Bills receivable	5,073	14,531	14,773	23,590
Deposits, prepayments and other receivables	5,108	7,618	12,525	13,209
Available-for-sale financial assets	70,000	—	—	—
Cash and cash equivalents	43,161	100,094	160,597	165,628
Total current assets	177,037	223,973	322,457	353,406
Current liabilities				
Trade payables	14,691	29,408	33,740	43,974
Accruals and other payables	16,530	45,021	31,195	45,876
Current tax	2,707	5,875	8,917	11,382
Deferred revenue	15,373	18,033	21,922	22,209
Provisions	1,764	2,482	3,260	4,027
Total current liabilities	51,065	100,819	99,034	127,468
Net current assets	125,972	123,154	223,423	225,938
Total assets less current liabilities	161,582	182,931	306,501	332,359
Non-current liabilities				
Deferred income	5,631	5,993	8,208	7,892
Deferred tax liability	–	–	3,900	3,900
Total non-current liabilities	5,631	5,993	12,108	11,792
NET ASSETS	155,951	176,938	294,393	320,567
Capital and reserves				
Share capital	34,000	55,556	1	1
Reserves	121,951	121,382	294,392	320,566
Total equity attributable to owners of the Company	155,951	176,938	294,393	320,567

ANALYSIS OF SELECTED CONSOLIDATED BALANCE SHEET ITEMS

Property, Plant and Equipment

We had property, plant and equipment of RMB29.5 million, RMB48.9 million, RMB69.8 million and RMB88.9 million as of December 31, 2014, 2015, 2016 and June 30, 2017, respectively. Our property, plant and equipment include a building for production and office use, machinery for production and R&D, office equipment, leasehold improvements and construction in progress.

The increases of property, plant and equipment during the Track Record Period related primarily to our continuing expansion of production capacity of our existing production facilities, as well as purchases of new equipment for producing 3D-printed products and R&D purposes.

Intangible Assets

We had intangible assets of RMB1.8 million, RMB5.9 million, RMB6.6 million and RMB9.1 million as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively. Our intangible assets consist primarily of software including our ERP system and R&D related software and our patents. In addition, we capitalized development costs of RMB0.8 million, RMB1.3 million, RMB0.8 million and RMB0.1 million in 2014, 2015, 2016 and the six months ended June 30, 2017, respectively, relating to certain R&D projects that have passed the clinical trial stage and were expected to generate stable cash flows in the future, such as projects relating to 3D-printed implants products and certain knee products.

Inventories

Our inventories include raw materials, work-in-progress and finished goods. Similar to other orthopedic implant companies, our products have a relatively long production cycle. Therefore, we strive to maintain a robust inventory management policy to ensure sufficient raw materials for production and sufficient finished goods to meet customer demand in a timely manner without destabilizing our liquidity. In general, we keep a finished goods inventory level of two to six months depending on different types of products. Based on this inventory level and our estimated sales volume, we procure raw materials taking into account the production cycle of each product. In order to improve our inventory management, we began using an ERP system in July 2014 to better align our raw materials procurement, production, warehousing and delivery process with outstanding and estimated purchase orders from our customers. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
Raw materials	10,269	11,156	12,719	15,868
Work-in-progress	7,100	14,188	9,361	11,921
Finished goods	17,351	33,056	45,725	57,059
Total	34,720	58,400	67,805	84,848

Our inventories increased from RMB34.7 million as of December 31, 2014 to RMB58.4 million as of December 31, 2015, to RMB67.8 million as of December 31, 2016, and to RMB84.8 million as of June 30, 2017, reflecting the growth of our sales volume over the Track Record Period. Specifically, between December 31, 2014 and 2015, work-in-progress increased by RMB7.1 million, or 99.8%, and finished goods increased by RMB15.7 million, or 90.5%, which were driven primarily by us stocking up on our newly-launched products in 2015, and, to a lesser extent, an increase in our sales volume from 2014 to 2015. However, during the same period, raw materials remained stable, reflecting the effectiveness of our inventory management. Between December 31, 2015 and 2016, work-in-progress decreased by RMB4.8 million, or 34.0%, primarily due to our increased efforts in inventory management. During the same period, finished goods increased by RMB12.7 million, or 38.3%, which was in line with the increase in sales volume from 2015 to 2016 and launch of new products in 2016. We are generally required to build up an initial inventory level for new products for future sales, which generally results in a higher ratio of inventory level to sales volume for new products than existing products. During the same period, raw materials increased by RMB1.6 million, or 14.0%, primarily reflecting (1) the increase in our sales volume from 2015 to 2016 and (2) our efforts to stock up on certain raw materials the prices of which we expected to rise. Between December 31, 2016 and June 30, 2017, raw materials increased by RMB3.1 million, or 24.8% work-in-progress increased by RMB2.6 million, or 27.3% and finished goods increased by RMB11.3 million, or 24.8%, and their percentages of the total inventories remained stable. In the period between June 30, 2017 and November 27, 2017, we consumed raw materials, work-in-progress and finished goods amounting to RMB10.0 million, RMB10.4 million and RMB27.2 million, respectively. The following table sets forth our inventories turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2014	2015	2016	2017
Inventories turnover days[1]	257	265	276	274

(1) The inventories turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of inventories in that period by cost of sales for the corresponding period and then multiplying by the days of the relevant period.

We aim to maintain effective inventory management and control our inventories turnover days within 280 days. Our inventories turnover days were 257 days in 2014, 265 days in 2015 and 276 days in 2016. The increases in the turnover days resulted from (1) our launch of new products in 2015 and 2016, which required us to build up an initial inventory level and (2) the increased inventory levels of raw materials of which we expected to experience a price rise. Our inventories turnover days were 274 days in the six months ended June 30, 2017, reflecting our enhanced efforts to control our inventories and the growth of our revenue, partially offset by inventories maintained in Changzhou Facilities for experiment and product development purposes.

Trade Receivables

We had trade receivables of RMB19.9 million, RMB44.7 million, RMB68.8 million and RMB70.5 million as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively. After deducting allowance for doubtful debts, our net trade receivables were RMB19.0 million, RMB43.3 million, RMB66.8 million and RMB66.1 million, respectively, as of the same dates. Our trade receivables represent receivables from our customers for sales of our products. The following table sets forth our trade receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
Trade receivables	19,908	44,719	68,810	70,451
Less: allowance for doubtful debts	(933)	(1,389)	(2,053)	(4,320)
Total	18,975	43,330	66,757	66,131

During the Track Record Period, our trade receivables increased mainly due to an increase in our revenue. In addition, between December 31, 2014 and 2015, our trade receivables increased by RMB24.4 million, or 128.4%, mainly due to an increase in our business scale, and because we granted credit periods to more qualified distributors and longer credit periods to some of our other distributors to attract competent distributors so that we could maintain and expand our distribution network and enter into new markets. We grant credit period to a certain distributor after evaluating the totality of the length of our relationships, historical payment of our receivables, hospital coverage and sales capabilities. As a result, the increase in our trade receivables in 2015 outpaced the increase in our revenue. Between December 31, 2015 and 2016, our trade receivables increased by RMB23.4 million, or 54.1%, mainly due to (1) an increase in our business scale and (2) revolving credit granted to several qualified distributors covering provinces in Southern China where we intend to strengthen our market presence. Between December 31, 2016 and June 30, 2017, our trade receivables were generally stable, primarily due to the continued enforcement of our credit policy on our distributors and reduced direct sales to hospitals that require a long time to disburse payment. As of November 27, 2017, RMB43.5 million, or 61.7%, of our trade receivables outstanding as of June 30, 2017 had been settled in cash or bank acceptance bills. The following table sets forth our trade receivables turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2014	2015	2016	2017
Trade receivables turnover days [(1)]	38	55	74	75

(1) The trade receivables turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of trade receivables in that period by revenue for the corresponding period and then multiplying by number of days in the relevant period.

Our trade receivables turnover days increased from 38 days in 2014 to 55 days in 2015. We from time to time grant credit periods of one to six months to qualified distributors who have a good credit history. We believe we are historically more conservative than our main domestic competitors in terms of credit periods granted to our distributors. In 2015, as part of our business initiative to attract competent distributors to maintain and expand our distribution network and enter into new markets, we granted credit periods to more qualified distributors and longer credit periods for some of our other distributors in order to compete with our main domestic competitors. As a result, our qualified distributors who were granted credit periods increased from 72 as of December 31, 2014 to 94 as of December 31, 2015, which drove the increase in our trade receivables turnover days in 2015. Our trade receivables turnover days increased from 55 days in 2015 to 74 days in 2016, primarily due to an increase in trade receivables as we granted a higher credit limit to qualified distributors in line with the growth of our business scale. Our trade receivables turnover days remained stable at 75 days in the six months ended June 30, 2017.

In order to manage credit risks associated with the increase in our trade receivables turnover days, we continue to adopt robust measures to ensure the quality of our trade receivables. See "—Financial Risk Management and Fair Values of Financial Instruments—Credit Risk" for details. As a result of these measures, our trade receivables due beyond three months, as a percentage of our total trade receivables, decreased from 8.5% as of December 31, 2014, to 6.1% as of December 31, 2015, reflecting an improvement in collection. Our trade receivables due beyond three months as a percentage of our total trade receivables increased to 32.9% as of December 31, 2016, reflecting the increased direct sales to hospitals as a percentage of our total sales volume, and further increased to 48.6% as of June 30, 2017, primarily because payments from certain hospitals remained overdue over the period. The following table sets forth an aging analysis, based on the earlier of invoice date or date of revenue recognition, of our trade receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
Current to three months	17,357	40,704	44,798	33,982
Three to six months	239	953	10,460	14,994
Six to 12 months	689	1,164	7,020	15,917
Over 12 months	690	509	4,479	1,238
Total	18,975	43,330	66,757	66,131

In 2014, 2015, 2016 and the six months ended June 30, 2017, our impairment losses of trade and other receivables were RMB0.2 million, RMB0.5 million, RMB0.7 million and RMB2.3 million, respectively, representing only 0.1%, 0.2%, 0.2% and 1.4% of our revenue, respectively. In addition, we did not write off any uncollectible trade receivables during the Track Record Period. The following table sets forth the movements of allowance for doubtful debts for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
As of January 1	713	933	1,389	2,053
Impairment loss recognized	220	456	664	2,267
As of period end	933	1,389	2,053	4,320

See "—Critical Accounting Policies and Estimates—Impairment of Trade and Other Receivables" for our accounting policies relating to impairment losses. The increases in allowance for doubtful debts in 2014, 2015 and 2016 were primarily driven by the growth of our trade receivables, which reflected the growth of our business scale and sales volume. In the six months ended June 30, 2017, our impairment loss increased significantly because we made additional provisions of RMB2.3 million for receivables outstanding from two hospitals overdue for a relatively long term.

Bills Receivable

As of December 31, 2014, 2015, 2016 and June 30, 2017, we had bills receivable of RMB5.1 million, RMB14.5 million, RMB14.8 million and RMB23.6 million, respectively. Our bills receivable represent receivables from our customers in the form of bank acceptance bills. As we granted credit periods to more qualified distributors and longer credit periods to some of our other distributors in 2015, we required some of them to provide bank acceptance bills based on their credit records with us to reduce our credit risk. As a result, our bills receivable increased from RMB5.1 million as of December 31, 2014 to RMB23.6 million as of June 30, 2017. As of November 27, 2017, RMB17.5 million, or 74.4%, of our bills receivable outstanding as of June 30, 2017 had been settled in cash or paid to our suppliers to settle our trade payables.

Deposits, Prepayments and Other Receivables

Our deposits, prepayments and other receivables consist primarily of deferred Listing expenses, prepayments to suppliers for raw materials and equipment, deposits for participating in the public tender process, deposits for obtaining letters of credit and other receivables. As of December 31, 2014, 2015, 2016 and June 30, 2017, we had deposits, prepayments and other receivables of RMB5.1 million, RMB7.6 million, RMB12.5 million and RMB13.2 million, respectively. The increase in deposits, prepayments and other receivables from December 31, 2014 to December 31, 2015 was primarily due to an increase in deferred Listing expenses of RMB3.1 million. The increase in deposits, prepayments and other receivables from December 31, 2015 to December 31, 2016 was primarily due to (1) an increase in prepayments to suppliers by RMB1.7 million, particularly for certain R&D projects and (2) an increase in deferred Listing expenses. The increase in deposits, prepayments and other receivables from December 31, 2016 to June 30, 2017 was primarily due to an increase in prepayments to suppliers driven by the increased procurement of certain components for production and materials for a R&D project from vendors requiring prepayment.

Available-for-Sale Financial Assets

During the Track Record Period, in order to generate returns on our excess cash balance from operating activities, we from time to time purchased wealth management products from banks, which we recorded as available-for-sale financial assets. However, in 2015, we decided not to reinvest the proceeds from matured wealth management products. As of December 31, 2014, 2015, 2016 and June 30, 2017, we had available-for-sale financial assets of RMB70.0 million, nil, nil and nil, respectively. After the Listing, we do not expect to purchase similar wealth management products in the near future.

Trade Payables

As of December 31, 2014, 2015, 2016 and June 30, 2017, we had trade payables of RMB14.7 million, RMB29.4 million, RMB33.7 million and RMB44.0 million, respectively. The increases in our trade payables during the Track Record Period were primarily due to an increase in our cost of sales as a result of the growth of our business scale. The following table sets out an aging analysis of our trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
Within three months	9,857	26,435	25,502	26,121
Over three months but within six months	3,774	2,010	3,436	6,983
Six to 12 months	490	467	4,138	8,888
Over 12 months	570	496	664	1,982
Total	14,691	29,408	33,740	43,974

Primarily due to the increase in our bargaining power as our procurement scale grew, we have been able to negotiate better payment terms with our suppliers and therefore our trade payables turnover days increased over the Track Record Period, partially offset by shorter credit periods available to us when purchasing from new suppliers and overseas suppliers. The following table sets forth our trade payables turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2014	2015	2016	2017
Trade payables turnover days[(1)]	92	126	138	140

(1) The trade payables turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of trade payables in that period by cost of sales for the corresponding period and then multiplying by days of the relevant period.

Accruals and Other Payables

As of December 31, 2014, 2015, 2016 and June 30, 2017, we had accruals and other payables of RMB16.5 million, RMB45.0 million, RMB31.2 million and RMB45.9 million, respectively. The following table sets forth a breakdown of our accruals and other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
Advances and deposits from customers	4,531	5,560	6,353	14,699
Other tax payables	5,864	21,018	10,497	15,570
Salary and welfare payables	5,184	7,600	8,721	8,900
Dividends payable	—	6,896	—	—
Accrued expenses	738	3,037	2,426	2,922
Others[(1)]	213	910	3,198	3,785
Total	16,530	45,021	31,195	45,876

(1) Others represent primarily outstanding miscellaneous expenses reimbursable to employees.

Advances and deposits from our customers primarily represent advances made by customers for purchases of our products. During the Track Record Period, we generally require advances from distributors other than those with long and sound credit records with us. Other tax payables are mainly value-added tax payable, which grew in line with the increase of our revenue, specifically in 2015, and withholding tax payables on dividends. Salary and welfare payables are accrued and unpaid employee benefits, which are affected by the increase in employee wages and bonuses, and the increase in number of our employees. We also recorded dividends payable of RMB6.9 million as of December 31, 2015, which was settled in March 2016.

Deferred Revenue/Income

As of December 31, 2014, 2015, 2016 and June 30, 2017, we had deferred revenue of RMB15.4 million, RMB18.0 million, RMB21.9 million and RMB22.2 million, respectively. Deferred revenue represent accrued but unpaid sales rebates to our distributors. The following table set forth the movement of our deferred revenue as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
At the beginning of the year/period	14,177	15,373	18,033	21,922
Sales rebates for the year/period	13,187	15,480	15,434	6,604
Redeemed during the year/period	11,991	12,820	11,545	6,317
At the end of the year/period	15,373	18,033	21,922	22,209

Our deferred revenue increased by 17.3% from RMB15.4 million as of December 31, 2014 to RMB18.0 million as of December 31, 2015, primarily because the sales rebates outgrew those redeemed as a result of our expansion of business and engagement with new distributors. Our deferred revenue increased by 21.6% to RMB21.9 million as of December 31, 2016 from RMB18.0 million as of December 31, 2015, primarily due to a decrease in sales rebates redeemed during the year because we started to enforce a stringent policy for our distributors to redeem sales rebates in 2016. Our deferred revenue remained stable as of June 30, 2017 as compared to December 31, 2016. As of the same dates, we had deferred income of RMB5.6 million, RMB6.0 million, RMB8.2 million and RMB7.9 million, respectively, reflecting government grants received but not yet recognized.

Provisions

Provisions were made for sales returns from our distributors, which relate mainly to sales during the past years. As of December 31, 2014, 2015 and 2016 and June 30, 2017, we had provisions of RMB1.8 million, RMB2.5 million, RMB3.3 million and RMB4.0 million, respectively. The increase in our provisions mainly reflected the growth of our business scale.

INDEBTEDNESS

As of December 31, 2014, 2015 and 2016 and June 30, 2017, we did not incur any bank borrowings or other financial indebtedness. As of the Latest Practicable Date, we did not have any outstanding unused credit facilities.

Our Directors confirm that we had no material defaults in payment of trade and non-trade payables and bank borrowings and had not breached any finance covenants during the Track Record Period.

As of October 31, 2017, being the latest practicable date for our indebtedness statement, except as disclosed in this prospectus and except for intra-group liabilities, we did not have any outstanding loan capital or debt securities issued or agreed to be issued, bank overdrafts, loans, borrowings or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities. Since October 31, 2017 to the date of this prospectus, there has not been any material adverse change in our indebtedness liabilities. Other than as disclosed above, we do not expect to raise material external debt financing in the near future based on our current business plans.

MATERIAL RELATED PARTY TRANSACTIONS

During the Track Record Period, we had related party transactions with the ultimate controlling party other than remunerations paid to our directors and senior management in the ordinary course of business. See note 26 to Appendix I—"Accountants' Report" for the remunerations.

In October 2015, the shareholders of AK Medical Beijing at the time, Mr. Li, Mr. Zhang Chaoyang, Ms. Zhang Bin, Ms. Li Huijiang, Ms. Zhao Xiaohong, Mr. Qi Yajun, Ms. Wang Caimei, Ms. Liu Aiguo and Mr. Zhang Weiping entered into an agreement to transfer a 90.0% equity interest in AK Medical Beijing to AK Medical HK for a consideration of RMB74.7 million. The transaction was settled in April 2016 and was funded by shareholder's loans advanced by Ximalaya to the Company. In April 2016, Ximalaya executed a deed of waiver to discharge the Company's obligation to repay the aforesaid shareholder's loan.

COMMITMENTS

The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
Contracted for	12,861	28,890	3,585	5,500
Authorized but not contracted for	380	156,917	154,226	135,774
Total	13,241	185,807	157,811	141,274

Our contracted for capital commitments as of June 30, 2017 and December 31, 2016 represented mainly expenditures to our R&D cooperation with Peking University Third Hospital. Our contracted for capital commitments as of December 31, 2015 represented mainly expenditures to purchase new equipment for producing 3D-printed products and a parcel of land for the construction of the Changzhou Facilities. See "Our Business—Production—Changzhou Facilities" for details. Our capital commitment contracted for as of December 31, 2014 represented mainly expenditures to purchase production and R&D equipment. Our authorized but not contracted for capital commitments as of June 30, 2017 and December 31, 2016 represented mainly construction expenses for the Changzhou Facilities. Our authorized but not contracted for capital commitments as of December 31, 2015 represented mainly construction expenses for the Changzhou Facilities and expenditures to purchase the production equipment to be installed in the Changzhou Facility.

We lease certain properties for use as production facilities, offices and warehouses under operating lease agreements with initial leasing terms that typically range from one to five years, with an option to renew. The following table sets forth our total future minimum lease payments under non-cancellable operating leases as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(in thousands of RMB)			
Within one year	861	3,032	3,340	6,604
After 1 year but within 5 years	474	7,778	7,642	10,962
Total	1,335	10,810	10,982	17,566

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

	As of and for the year ended December 31,			As of and for the six months ended June 30,
	2014	2015	2016	2017
Gross margin	68.3%	68.9%	69.2%	68.7%
Return on equity[1]	35.6%	39.0%	32.8%	N/A
Return on assets[2]	26.5%	26.2%	22.4%	N/A
Current ratio[3]	346.7%	222.2%	325.6%	277.3%

(1) Return on equity is calculated by dividing (i) profit by (ii) the average of the beginning and end balance of total equity attributable to owners of our Company of a given period and multiplying by 100.0%.

(2) Return on assets is calculated by dividing (i) profit by (ii) the average of the beginning and end balance of total assets of a given period and multiplying by 100.0%.

(3) Current ratio is calculated by dividing (i) current assets by (ii) current liabilities at the end of the period and multiplying by 100.0%.

Gross Margin

For details on our gross margin, see "—Consolidated Statement of Profit or Loss—Gross Profit and Gross Margin".

Return on Equity

In 2014, 2015 and 2016, our return on equity was 35.6%, 39.0% and 32.8%, respectively. Our return on equity increased in 2015, mainly driven by a decrease in Shareholders' equity as a result of a comparatively large dividend, which was offset, to a lesser extent, by the capital injection we received in connection with the Pre-IPO Investment. Our return on equity decreased in 2016, mainly because we received a capital injection of RMB66.0 million in connection with the Pre-IPO Investment, which increased our Shareholders' equity.

Return on Assets

In 2014, 2015 and 2016, our return on assets was 26.5%, 26.2% and 22.4%, respectively. Our return on assets decreased in 2016, primarily because we received a capital injection of RMB66.0 million in connection with the Pre-IPO Investment, which increased our total assets.

Current Ratio

As of December 31, 2014, 2015 and 2016 and June 30, 2017, our current ratio was 346.7%, 222.2%, 325.6% and 277.3%, respectively. Our current ratio increased in 2016 compared to 2015, primarily due to a growth in advances and deposits from our customers. Our current ratio as of December 31, 2015 was lower than that as of December 31, 2014 and 2016, primarily due to the increase in our current liabilities as a result of an increase in dividends payable and withholding tax payables on dividends.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material off-balance sheet arrangements, and had not entered and do not intend to enter into any derivative transactions for trading purposes.

LISTING EXPENSES

We have incurred professional and other fees with respect to the Listing. In accordance with the relevant accounting standards, Listing related fees that are directly attributable to the issuance of new Shares are recorded as prepaid expenses, which will be deducted from equity upon the Listing. The remaining Listing related fees are charged to statements of profit or loss. We expect that the total amount of Listing related expenses, including underwriting commission and incentive fee, will be approximately RMB59.5 million, assuming the mid-point of the Offer Price range stated in this prospectus. Of such expenses, RMB32.5 million are expected to be charged to our consolidated statements of profit or loss. Of this RMB32.5 million, RMB21.3 million was recognized as general and administrative expenses during the Track Record Period and the balance amount of RMB11.2 million is expected to be recognized in 2017.

FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

We are exposed to credit and liquidity risks associated with our ordinary course of business.

Credit Risk

Our credit risk is primarily attributable to cash and cash equivalents, trade receivables, bill receivables and other receivables. We have a credit policy in place and the exposures to these credit risks are monitored on an on-going basis.

Our cash and cash equivalents and available-for-sale financial assets are held with banks, which have sound reputation.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. We normally require certain customers to pay 30% to 100% deposits upfront and the remaining trade receivables are normally due within one to six months (three to 12 months for hospital customers) from the date of billing. Debtors with balances that are more than one year past due are requested to settle all outstanding balances before any further credit is granted. We do not obtain collateral from customers.

All bill receivables as at the end of each reporting period are bank acceptance bills with aging of less than six months.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers. At the end of the reporting period, 4.6%, 3.7%, 4.6% and 5.5% of the total trade receivables was due from our largest customer in 2014, 2015, 2016 and the six months ended June 30, 2017, respectively, and 29.2%, 20.9%, 23.7% and 20.9% was due from the five largest customers in 2014, 2015, 2016 and the six months ended June 30, 2017, respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial assets in the consolidated statements of financial position. We do not provide any other guarantees which would expose us or our Company to credit risk.

Further quantitative disclosures in respect of our exposure to credit risk arising from trade receivables and other receivables are set forth in notes 14 and 15 to our consolidated financial statements included in Appendix I — "Accountants' Report" to this prospectus.

Liquidity Risk

Each of our Subsidiaries is responsible for their own cash management, including the short term investment of cash balances and the raising of loans to cover expected cash demands, subject to approval by our management and Board when the borrowings exceed certain predetermined levels of authority. We maintain a policy to regularly monitor our liquidity requirements and compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from financial institutions to meet its liquidity requirements in the short and longer term.

The following table sets forth the remaining contractual maturities of our financial liabilities, which are based on contractual undiscounted cash outflows and the earliest date we can be required to pay as of the dates indicated:

	Carrying amount	Total	Within one year or on demand
		(in thousands of RMB)	
As of December 31, 2014			
Trade payables	14,691	14,691	14,691
Accruals and other payables	11,999	11,999	11,999
Total	26,690	26,690	26,690
As of December 31, 2015			
Trade payables	29,408	29,408	29,408
Accruals and other payables	39,461	39,461	39,461
Total	68,869	68,869	68,869
As of December 31, 2016			
Trade payables	33,740	33,740	33,740
Accruals and other payables	24,842	24,842	24,842
Total	58,582	58,582	58,582
As of June 30, 2017			
Trade payables	43,974	43,974	43,974
Accruals and other payables	31,177	31,177	31,177
Total	**75,151**	**75,151**	**75,151**

DISTRIBUTABLE RESERVES

As of June 30, 2017, the distributable reserves of our Company were RMB155.7 million.

PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma consolidated net tangible assets which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2017. This statement of unaudited pro forma consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of June 30, 2017 or at any future dates.

	Consolidated net tangible assets of our Company as of June 30, 2017[(i)]	Estimated net proceeds from the Global Offering[(ii)(iv)]	Unaudited pro forma adjusted consolidated net tangible assets[(v)]	Unaudited pro forma adjusted consolidated net tangible assets per Share[(iii)]	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Base on the Offer Price of HK$1.66 per Share	311,436	292,090	603,526	0.60	0.72
Base on the Offer Price of HK$2.00 per Share	311,436	360,227	671,663	0.67	0.80

Notes:

(i) The consolidated adjusted net tangible assets of our Company as of June 30, 2017 is based on the consolidated net assets of our Company of RMB320,567,000 as of June 30, 2017, less intangible asset of RMB9,131,000 extracted from the Accountants' Report as set out in Appendix I in this prospectus.

(ii) The estimated net proceeds from the Global Offering are based on the Offer Shares and the estimated Offer Prices of HK$1.66 and HK$2.00, respectively, being the low-end price and high-end price, after deduction of the underwriting commission, incentive fee and estimated expenses payable by us of approximately RMB58,087,000 and RMB61,673,000, respectively (excluding approximately RMB21,358,000 listing expenses have been accounted for prior to June 30, 2017) and does not taken into account any Shares that may be issued upon exercise of Over-Allotment Option.

(iii) The unaudited pro forma consolidated net tangible assets per Share is arrived at after adjustments for the estimated net proceeds from the Global Offering payable to our Company as described in note (ii) and on the basis that 1,000,000,000 Shares were in issue assuming that the Global Offering was completed on June 30, 2017 (including Shares in issue (including Series A Preferred Shares on an as-converted basis) as of the date of this prospectus and those Shares to be issued pursuant to the Global Offering and the Capitalization Issue) without taking into account of any Shares which may be offered for sale upon exercise of the Over-Allotment Option or any options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme.

(iv) The estimated net proceeds from the Global Offering and the unaudited pro forma consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1 to RMB0.8438, being the exchange rate set by PBOC prevailing on November 27, 2017. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to RMB at that rate or at any other rate.

(v) The unaudited pro forma adjusted consolidated net tangible assets does not take into account dividends of U.S. dollar equivalent to RMB11.0 million and RMB39.0 million declared on August 25, 2017 and October 20, 2017, respectively. Such dividends had been paid in full before the Listing. Had such dividends been taken into account, the unaudited pro forma consolidated net tangible assets per Share would be approximately HK$0.66 (assuming an Offer Price of HK$1.66 per Share) and approximately HK$0.74 (assuming an Offer Price of HK$2.00 per Share), respectively.

(vi) Except for the dividend declared in note (v), no adjustment has been made to the unaudited pro forma consolidated net tangible assets to reflect any trading results or other transactions of the Group subsequent to June 30, 2017.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As of the Latest Practicable Date, except as disclosed in this prospectus, we were not aware of any circumstances that would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules.

DIVIDENDS

We declared dividends of RMB30.6 million, RMB118.0 million, RMB30.1 million and RMB23.1 million in 2014, 2015 and 2016 and six months ended June 30, 2017, respectively, all of which had been paid as of the Latest Practicable Date. In August 2017 and October 2017, our Board declared dividends of U.S. dollar equivalent of RMB11.0 million and RMB39.0 million, respectively, both of which had been paid in full before the Listing. However, we do not have a specific dividend policy or a predetermined dividend payout ratio. The determination to pay dividends in the future will be made at the direction of our Board and will be based on our profits, cash flows, financial condition, capital requirements and other conditions that our Board deems relevant. The payment of dividends may be limited by other legal restrictions and agreements that we may enter into in the future.

RECENT ACCOUNTING PRONOUNCEMENTS

See note 29 to our consolidated financial statements included in Appendix I—"Accountants' Report" to this prospectus.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed there has been no material adverse change in our financial, operational or trading position or prospects since June 30, 2017 and up to the date of this prospectus.

BOARD OF DIRECTORS

Our Board comprises nine members, including four executive Directors, two non-executive Directors and three independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business. The table below sets forth certain information in respect of the members of our Board.

Name	Age	Date of joining our Group	Current position/title	Major duties and responsibilities	Date of appointment as Director
Li Zhijiang (李志疆) (Spouse of Ms. Zhang Bin and brother-in-law of Mr. Zhang Chaoyang)	49	May 2003	Chairman, Executive Director and Chief Executive Officer	Responsible for the overall strategic planning and development of our Group	July 17, 2015
Zhang Bin (張斌) (Spouse of Mr. Li and sister of Mr. Zhang Chaoyang)	50	December 2009	Executive Director and Senior Vice President	Responsible for the overall management and operations including management of the capital markets, human resources and administrative matters of our Group	July 17, 2015
Zhang Chaoyang (張朝陽) (Brother of Ms. Zhang Bin and brother-in-law of Mr. Li)	48	May 2003	Executive Director and Senior Vice President	Responsible for product development, planning, construction, operation and management of the new production facilities of our Group	July 17, 2015
Zhao Xiaohong (趙曉紅)	40	September 2010	Executive Director and Chief Financial Officer	Responsible for financial management and accounting affairs of our Group	February 29, 2016
Li Wenming (李文明)	44	May 2010	Non-executive Director	Responsible for providing advice on strategy and operations of our Group	April 6, 2016
Wang David Guowei (王國瑋)	56	February 2016	Non-executive Director	Responsible for providing advice on strategy of our Group	February 29, 2016
Dang Gengting (黨耕町)	82	November 2017	Independent Non-executive Director	Responsible for overseeing the management of our Group independently	November 17, 2017

Name	Age	Date of joining our Group	Current position/title	Major duties and responsibilities	Date of appointment as Director
Kong Chi Mo (江智武)	42	November 2017	Independent Non-executive Director	Responsible for overseeing the management of our Group independently	November 17, 2017
Li Shu Wing David (李澍榮)	53	November 2017	Independent Non-executive Director	Responsible for overseeing the management of our Group independently	November 17, 2017

SENIOR MANAGEMENT

Our senior management, together with our executive Directors, are responsible for the day-to-day management of our business. The table below sets forth certain information in respect of the senior management of our Group other than those who are our executive Directors.

Name	Age	Date of joining our Group	Current position/title	Major duties and responsibilities	Date of appointment for the position
Liu Aiguo (劉愛國)	44	October 2003	Vice General Manager of AK Medical Beijing	Responsible for managing the legal and regulatory department of AK Medical Beijing	July 1, 2012
Zhang Weiping (張衛平)	66	December 2008	Chief Engineer of AK Medical Beijing	Responsible for the technical and R&D matters of AK Medical Beijing	December 1, 2008
Wang Caimei (王彩梅)	44	October 2010	Director of research center of AK Medical Beijing	Responsible for overseeing the management of the research center of AK Medical Beijing	December 31, 2014
Han Yu (韓鈺)	35	September 2015	Joint Company Secretary	Responsible for capital markets matters and company secretarial matters of our Group	April 6, 2016
Qi Yajun (亓亞軍)	44	November 2005	General Manager of the Sales Department of AK Medical Beijing	Responsible for overseeing the sales activities of AK Medical Beijing	January 1, 2017
Qi Zijuan (齊子娟)	51	February 2014	General Manager of the Business Development Department of AK Medical Beijing	Responsible for overseeing the business development activities of AK Medical Beijing	January 1, 2017
Sun Yanshi (孫彥實)	40	August 2013	Director of the Operation Management Department of AK Medical Beijing	Responsible for overseeing the operation of AK Medical Beijing	August 1, 2017

Name	Age	Date of joining our Group	Current position/title	Major duties and responsibilities	Date of appointment for the position
Wang Zhengmin (王政民)	48	October 2013	Director and Management Representative of the Quality Control Centre of AK Medical Beijing	Responsible for the management of the quality control centre of AK Medical Beijing	January 1, 2017
Wang Nannan (王楠楠)	39	May 2014	Human Resources and Administration Director of AK Medical Beijing	Responsible for human resources and administrative management of AK Medical Beijing	January 1, 2015

EXECUTIVE DIRECTORS

Mr. Li Zhijiang (李志疆), aged 49, is the chairman of our Board, the chief executive officer of our Company and an executive Director, primarily responsible for the overall strategic planning and development of our Group. He was appointed as a Director on July 17, 2015 and was designated as the chairman of our Board, the chief executive officer of our Company and an executive Director on April 6, 2016. Mr. Li is the spouse of Ms. Zhang Bin (張斌), an executive Director and a senior vice president of our Company, and the brother-in-law of Mr. Zhang Chaoyang (張朝陽), an executive Director and a senior vice president of our Company.

Mr. Li is one of the founders of our Group and has over 20 years of experience in the clinical and orthopedic industry. He has been a director of AK Medical BVI, AK Medical HK, Bright AK HK, AK Medical Beijing and AK Medical XMKS since July 21, 2015, July 28, 2015, March 15, 2016, May 8, 2003 and November 11, 2009, respectively. He has also been the general manager of AK Medical Beijing since May, 2003. Prior to establishing our Group in May 2003, Mr. Li worked in the surgical department of Shougang Kuangshan Hospital (首鋼礦山醫院) in Tangshan, Hebei Province, China from 1988 to 1999.

Mr. Li completed the Executive MBA Programme and obtained a Master of Business Administration (MBA) from China Europe International Business School (中歐國際工商學院) in August 2014. He completed a diploma program in medicine and graduated from Beijing Staff Medical College (北京職工醫學院) in July 1998.

Ms. Zhang Bin (張斌), aged 50, is an executive Director and a senior vice president of our Company, primarily responsible for the overall management and operations including management of the capital markets, human resources and administrative matters of our Group. She was appointed as a Director on July 17, 2015 and was designated as an executive Director and a senior vice president of our Company on April 6, 2016. Ms. Zhang is the spouse of Mr. Li, the chairman of our Board, an executive Director and the chief executive officer of our Company, and the sister of Mr. Zhang Chaoyang (張朝陽), an executive Director and a senior vice president of our Company.

Ms. Zhang has over 20 years of experience in the medical industry. She has been a director of Bright AK HK and AK Medical Beijing since March 15, 2016 and July 30, 2015, respectively. She has also been a vice general manager of AK Medical Beijing since December 2009. Prior to joining our Group, Ms. Zhang had served several roles including physician, head of the hospital chief executive office and radiologist in the CT room of the radiological department in Shougang Kuangshan Hospital (首鋼礦山醫院) in Tangshan, Hebei Province, China respectively from 1988 to 2002.

Ms. Zhang obtained an Executive Master of Business Administration (EMBA) from the Shanghai Advanced Institute of Finance of the Shanghai Jiao Tong University (上海交通大學上海高級金融學院) in December 2016. She completed a diploma program in medicine and graduated from Shougang College of Health (首都鋼鐵公司衛生學校) in August 1988.

Mr. Zhang Chaoyang (張朝陽), aged 48, is an executive Director and a senior vice president of our Company, primarily responsible for product development, planning, construction, operation and management of the new production facilities of our Group. He was appointed as a Director on July 17, 2015 and was designated as an executive Director and a senior vice president of our Company on April 6, 2016. Mr. Zhang is brother of Ms. Zhang Bin (張斌), an executive Director and a senior vice president of our Company, and brother-in-law of Mr. Li, the chairman of our Board, an executive Director and the chief executive officer of our Company.

Mr. Zhang is one of the founders of our Group and has over 10 years of experience in the orthopedic medical device industry. He has been a director of AK Medical BVI, AK Medical HK, AK Medical Beijing and AK Medical Changzhou since July 21, 2015, July 28, 2015, July 30, 2015 and March 28, 2016, respectively. He has also been a vice general manager of AK Medical Beijing since May 2003. Prior to joining our Group, Mr. Zhang had served as a vice director of workshop and a vice president of labor union of Shougang Mining Company Sintering Plant (首鋼礦業公司燒結廠) from September 1988 to March 2003 respectively.

Mr. Zhang obtained an Executive Master of Business Administration (EMBA) from China Europe International Business School (中歐國際工商學院) in November 2016. He obtained his diploma in economics management from the Correspondence Institute of the Party School of the Central Committee of Communist Party of China (中央黨校函授學院) in June 2001.

Ms. Zhao Xiaohong (趙曉紅), aged 40, is an executive Director and the chief financial officer of our Company, primarily responsible for financial management and accounting affairs of our Group. She was appointed as a Director on February 29, 2016 and was designated as an executive Director and the chief financial officer of our Company on April 6, 2016.

Ms. Zhao has over 10 years of experience in the accounting industry. She has been the finance director of AK Medical Beijing since September 2010 and served as the operation director of AK Medical Beijing from December 2014 to December 2016. Prior to joining our Group, she worked as an auditor in Ernst & Young Hua Ming LLP from August 2004 to September 2009. Ms. Zhao has been a Certified Public Accountant recognized by the Chinese Institute of Certified Public Accountants since November 27, 2009 and an associate member of the Association of International Accountants since February 27, 2015.

Ms. Zhao received her master degree in corporate management from Renmin University of China (中國人民大學) in June 2004 and her bachelor degree in international corporate management in Central University of Finance and Economics (中央財經大學) in June 2001.

NON-EXECUTIVE DIRECTORS

Mr. Li Wenming (李文明), aged 44, is a non-executive Director primarily responsible for providing advice on strategy and operations of our Group. Mr. Li has been an independent director of AK Medical Beijing since May 2010, and was appointed and designated as a non-executive Director on April 6, 2016.

Mr. Li has over 10 years of experience in the pharmaceutical and investment industry. Mr. Li has been a pharmacist registered with CFDA since February 2004. He has been a partner of Beijing Hejun Consulting Company Limited (北京和君諮詢有限公司), a company principally engaged in economy and trading consulting, investment consulting and enterprise management consulting since January 2007. Since March 20, 2015, he has been appointed as an independent non-executive director of Shandong Xinhua Pharmaceutical Company Limited (山東新華製藥股份有限公司) (A-share stock code: 756, H-share stock code: 719), a company listed on the Stock Exchange and the Shenzhen Stock Exchange.

Mr. Li obtained a Master of Business Administration from the Faculty of Management of the Dalian University of Technology (大連理工大學) in July 2004.

Dr. Wang David Guowei (王國瑋), aged 56, is a non-executive Director primarily responsible for providing advice on strategy of our Group. He was appointed as a Director on February 29, 2016 and was designated as a non-executive Director on April 6, 2016.

Dr. Wang has over 10 years of experience in the medical industry. Dr. Wang is the senior managing director of Asia at OrbiMed Advisors LLC, an investment fund with a focus on healthcare industry, where he has worked from August 2011. Dr. Wang was a director of Response Biomedical Corp. (Stock Code: RBM), a company listed on the Toronto Stock Exchange, from October 2011 to May 2015. From April 2006 to July 2011, he served as managing director at WI Harper Group, responsible for investment activities in life sciences and healthcare areas. From March 2010 to July 2012, he served on the board of directors of Edan Instruments, Inc. (a company listed in the Shenzhen Stock Exchange, stock code: 300206), a provider of advanced electronic medical equipments, where he also served on both the audit committee and strategic committee.

Dr. Wang received his doctorate in developmental biology from California Institute of Technology in June 1995. He received his bachelor degree in medicine from Beijing Medical University (北京醫科大學) (currently known as Peking University Health Science Center (北京大學醫學部)) in July 1986.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Dang Gengting (黨耕町), aged 82, is an independent non-executive Director primarily responsible for overseeing the management of our Group independently. He joined our Group on November 17, 2017, when he was appointed as an independent non-executive Director.

Mr. Dang has over 40 years of experience in the medical field. From September 1963 to February 2006, he worked in the Peking University Third Hospital and his last role served was a professor of Peking University Third Hospital.

Mr. Dang was the chairman of committee of China Orthopedic Association (中華醫學會骨科學分會) from 1992 to 2000 and honorary chairman from 2000 to 2004. He was the president of the first committee and honorary president of the second committee of Chinese Association of Orthopedic Surgeons (中國醫師協會骨科醫師分會).

Mr. Dang received first class Science and Technology Progress Award (教育部科技進步一等獎) presented by Ministry of Education of the People's Republic of China in 2003. Mr. Dang received second class award National Science and Technology Progress Award (國家科學技術進步二等獎) in 2002.

Mr. Kong Chi Mo (江智武), aged 42, is an independent non-executive Director primarily responsible for overseeing the management of our Group independently. He joined our Group on November 17, 2017, when he was appointed as an independent non-executive Director.

Mr. Kong has over 19 years of experience in accounting, auditing, financial management, corporate finance, investor relations, company secretarial affairs and corporate governance. Mr. Kong currently holds various positions in the following companies listed on the Main Board of the Stock Exchange:

Company name	Stock code	Principal business	Appointment date	Role
Huazhang Technology Holding Limited	01673, previously listed on the Growth Enterprise Market of the Stock Exchange (stock code: 08276)	Research and development, manufacture and sale of industrial automation and sludge treatment products, the provision of after-sales service and wastewater treatment business in the PRC	May 2013	Independent non-executive director
Hengshi Mining Investments Limited	01370	Mining, processing and sale of iron ore products and the provision of hospital management service in the PRC	June 2013	Independent non-executive director
Starlight Culture Entertainment Group Limited (previously known as Jimei International Entertainment Group Limited)	01159	Entertainment and gaming business, trading of chemical products, energy conservation and environmental protection products, and media and culture business	May 2017	Independent non-executive director

Company name	Stock code	Principal business	Appointment date	Role
China Vanadium Titano-Magnetite Mining Company Limited ("**China Vanadium**")	00893	Mining and ore processing, sale of self-produced products, trading of iron products, coals and steels, and management of strategic investments	September 2009	Company secretary and authorised representative

Mr. Kong was the executive director and chief financial officer of China Vanadium from October 2013 to May 2015 and from May 2008 to May 2015 respectively. Mr. Kong was the independent non-executive director of CAA Resources Limited, a company listed on the Main Board of the Stock Exchange (stock code: 02112) from April 2013 to August 2017. Mr. Kong worked at KPMG from October 1999 to December 2007 and was promoted to senior manager during his term of office. Prior to joining KPMG, Mr. Kong worked as a finance trainee in Hutchison Telecommunications (Hong Kong) Limited from June 1997 to March 1998, and as an associate in PricewaterhouseCoopers from March 1998 to October 1999.

Mr. Kong obtained his bachelor degree in business administration from The Chinese University of Hong Kong in December 1997. Mr. Kong has been a fellow of The Association of Chartered Certified Accountants since February 2008, a fellow of each of The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and The Institute of Chartered Secretaries and Administrators ("**ICSA**") since February 2012, a member of The Hong Kong Institute of Directors ("**HKIoD**") since May 2010, an ordinary member of Hong Kong Securities and Investment Institute since October 2017 and a full member of Hong Kong Investor Relations Association since November 2017. Mr. Kong received silver, gold and bronze certificates of merit in continuing professional development in 2013, 2014 and 2015 respectively from the HKIoD.

Accordingly, taking into account Mr. Kong's past experiences and qualifications, our Company takes the view that he is experienced in handling accounting or financial works of our Company, familiar with the financial statements, internal control and risk management system of listed companies and has appropriate accounting or related financial management expertise.

Mr. Li Shu Wing David (李澍榮), aged 53, is an independent non-executive Director primarily responsible for overseeing the management of our Group independently. He joined our Group on November 17, 2017, when he was appointed as an independent non-executive Director.

Mr. Li has substantial experience in management in the retailing industry and medical industry. Mr. Li is the sole director of Great Bonus Development Limited, a management consulting company founded in July 2012. From July 2010 to January 2013, he served as the senior director of Medtronic Weigao Orthopedic Device Company Limited, specialized in research and development, production and sale of spine, trauma and joint orthopedic implants. Mr. Li worked in G2000 (Apparel) Limited, from November 2007 to January 2008. He was the managing director in Stryker China Limited from July 2001 to 2006.

Mr. Li obtained a Master of Business Administration degree from Chaminade University of Honolulu in December 1986 and a Bachelor of Business Administration degree from University of Hawaii at Hilo in May 1986. He attended Stryker Advanced Leadership Academy Program in Harvard University in March 2005 and INSEAD Hewlett-Packard Management Academy in April 1999.

DIRECTORS INTERESTS

Except as disclosed in this prospectus, each of our Directors: (i) did not hold any other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders as of the Latest Practicable Date; (iii) did not hold any other directorships in any public companies in Hong Kong and overseas in the three years immediately preceding the date of this prospectus; and (iv) is not interested in any business apart from our Company's business, which competes or is likely to compete, either directly or indirectly, with our Company's business.

As of the Latest Practicable Date, except as disclosed in Appendix IV—"Statutory and General Information—Further Information about Directors and Shareholders—12. Directors—(d) Interests and/or short positions of Directors in the shares, underlying shares or debentures of our Company and its associated corporations", each of our Directors did not have any interest in our Shares within the meaning of Part XV of the SFO.

Except as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Unless otherwise stated below, none of the members of our senior management has been a director of a public company the securities of which are listed on any securities market in Hong Kong or overseas.

Ms. Liu Aiguo (劉愛國), aged 44, is a vice general manager of AK Medical Beijing. Ms. Liu has over 12 years of experience in the orthopedic medical device industry. She worked in Beijing Bearing Factory (北京軸承廠) from January 1996 to October 2003. She joined our Group in October 2003 as the head of production of AK Medical Beijing and was appointed as a vice general manager of AK Medical Beijing in July 2012, primarily responsible for quality control management and legal and regulatory affairs of AK Medical Beijing. Since January 2017, her responsibility has been re-designated to the management of the legal and regulatory department of AK Medical Beijing.

Ms. Liu has enrolled in the program of Executive Master of Business Administration of Cheung Kong Graduate School of Business (長江商學院) and received her diploma in information management and application from Beijing Union University (北京聯合大學) in July 1998.

Mr. Zhang Weiping (張衛平), aged 66, is the chief engineer of AK Medical Beijing, primarily responsible for technical and R&D matters of AK Medical Beijing. Mr. Zhang has over 7 years of experience in 3D-printing in orthopedic field. He joined our Group in December 2008 as the chief engineer of AK Medical Beijing.

Prior to joining our Group, he served as a senior engineer of Beijing Textile Equipment Institute (北京紡織機械器材研究所). Mr. Zhang received his diploma in knitwear from Tianjin Textile Institute (天津紡織工學院) (currently known as School of Textiles of Tianjin Polytechnic University (天津工業大學紡織學院)) in October 1977.

Ms. Wang Caimei (王彩梅), aged 44, is the director of research center of AK Medical Beijing, primarily responsible for overseeing the management of the research center of AK Medical Beijing. Ms. Wang has over 10-year R&D experience in orthopedic implants. She joined our Group in October 2010 as the supervisor of research center of AK Medical Beijing and was promoted to the director of research center of AK Medical Beijing in December 2014.

Prior to joining our Group, Ms. Wang worked in Baimtec Material Company Limited (北京百慕航材高科技股份有限公司), a company principally engaged in the research, development and distribution of high technology products based on aeronautical materials, manufacturing process and technology, from March 2001 to September 2010.

Ms. Wang received her doctorate in vehicle engineering from China Agricultural University (中國農業大學) in June 2009.

Ms. Han Yu (韓鈺), aged 35, is one of our joint company secretaries, primarily responsible for capital markets matters and company secretarial matters of our Group. Ms. Han has over 7 years of experience in the finance industry. She joined our Group in September 2015 as the senior financial analysis manager of AK Medical Beijing until December 31, 2015. She has become the secretary to the board of directors of AK Medical Beijing since January 1, 2016. She was appointed as one of our joint company secretaries on April 6, 2016.

Prior to joining our Group, Ms. Han was a business analyst of Hang Seng Bank in China from June 2008 to December 2010. She worked at the PBC School of Finance, Tsinghua University (清華大學五道口金融學院) from June 2014 to August 2015, responsible for curriculum development.

Ms. Han received her master degree in statistics from Yale University in May 2007. She obtained her bachelor degree in science from University of Victoria in May 2006.

Mr. Qi Yajun (亓亞軍), aged 44, has been the general manager of the sales department of AK Medical Beijing since January 2017, primarily responsible for managing the sales department of AK Medical Beijing. Mr. Qi has over 10 years of experience in the healthcare industry. Mr. Qi joined our Group in November 2005 and served as a regional manager of AK Medical Beijing until April 2011. He then worked as a marketing manager of AK Medical Beijing from May 2011 to December 2011, marketing director of AK Medical Beijing from January 2012 to June 2012, and sales director of AK Medical Beijing from July 2012 to January 2017.

Mr. Qi obtained a diploma in clinical medicine from Inner Mongolia Medical College (內蒙古醫學院) (currently known as Inner Mongolia Medical University (內蒙古醫科大學)) in July 1999.

Ms. Qi Zijuan (齊子娟), aged 51, has been the general manager of the business development department of AK Medical Beijing since January 2017, primarily responsible for managing the business department of AK Medical Beijing. Ms. Qi is experienced in the healthcare industry and she joined our Group in February 2014. From February 2014 to June 2014 and July 2014 to December 2014, she was the project director of AK Medical Beijing and the sales director of AK Medical Beijing, respectively. She acted as the business development director of AK Medical Beijing from December 2014 to January 2017.

Prior to joining our Group, Ms. Qi worked as the business executive at Stryker (Beijing) Healthcare Products Company Limited, a manufacturer of medical devices and equipment, from January 2007. She served as the sales director at Beijing Chunlizhengda Medical Instruments Co., Ltd. (北京市春立正達醫療器械股份有限公司), a company specialized in medical devices and listed on the Stock Exchange (stock code: 1858), from 2010 and the vice general manager of distribution business at Beijing Ruikangdacheng Medical Devices Co., Ltd. (北京瑞康大成醫療器械有限公司) specialized in medical devices, from 2013, respectively.

Ms. Qi obtained a diploma in psychology from Peking University in December 1989.

Mr. Sun Yanshi (孫彥實), aged 40, has been the director of the operation management department of AK Medical Beijing since August 2017, primarily responsible for overseeing the operation of AK Medical Beijing. Mr. Sun has approximately 5 years of experience in the medical device industry. He joined our Group in August 2013 and served as the assistant to general manager from August 2013 to December 2013. He then worked as the product strategy director of AK Medical Beijing from January 2014 to December 2014 and the marketing director of AK Medical Beijing from December 2014 to August 2017.

Prior to joining our Group, he worked at the medical product department of CeramTec (德國賽瑯泰克有限公司), a supplier of ceramic materials from 2011 to 2013.

Mr. Sun obtained a master degree in bio-medical engineering from Technische Universität Berlin in December 2007. He obtained his diploma in automobile engineering from Tsinghua University in September 2000.

Mr. Wang Zhengmin (王政民), aged 48, has been the director and management representative of the quality control centre of AK Medical Beijing since January 2017, primarily responsible for managing the quality control centre of AK Medical Beijing. Mr. Wang has extensive experience in the production and manufacturing industry. He joined our Group in October 2013. From October 2013 to June 2014 and July 2014 to December 2015, he was the head of the corporate system department and head of the production center, respectively.

From June 2003 to March 2006 and from February 2007 to May 2008, he served several roles including quality manager, production manager and factory head at Beijing TianXinFu Medical Appliance Co., Ltd. (北京天新福醫療器材有限公司), a company specialized in research, development, production and sales of medical devices. He also worked at Beijing Heavy Electric Machinery Factory (北京重型電機廠) as a welding engineer.

Mr. Wang obtained a bachelor degree in welding technology and equipment from Gansu University of Technology (甘肅工業大學) (currently known as Lanzhou University of Technology (蘭州理工大學)) in June 1994. Mr. Wang obtained a Welding Engineer Certificate from Beijing Intermediate Professional Technical Position Appraisal Committee (北京中級專業技術職務評審委員會) in October 1999.

Ms. Wang Nannan (王楠楠), aged 39, has been the human resources and administration director of AK Medical Beijing since January 2015, primarily responsible for the human resources and administrative management of AK Medical Beijing. Ms. Wang has over 5 years of experience in human resources management. Ms. Wang joined our Group in May 2014 as a senior human resources manager of AK Medical Beijing.

Prior to joining our Group, Ms. Wang worked as the human resources manager at Unisplendour Digital Company Limited (紫光數碼有限公司) from January 2006 to October 2011. From November 2011 to June 2013, Ms. Wang worked as the human resources manager at Beijing Konruns Pharmaceutical Co., Ltd (北京康辰藥業股份有限公司).

Ms. Wang obtained a bachelor degree in management through a distance learning course from Renmin University of China in January 2010.

JOINT COMPANY SECRETARIES

Ms. Han Yu (韓鈺) was appointed as a joint company secretary of our Company on April 6, 2016. Please refer to "—Senior Management" above for the biography of Ms. Han.

Ms. Li Yan Wing Rita (李昕穎), aged 51, was appointed as a joint company secretary of our Company on April 6, 2016. Ms. Li is a director, corporate services of Tricor Services Limited ("**Tricor**"), a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Li has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Li is currently the company secretary of two companies listed on the Stock Exchange, namely, China Outfitters Holdings Limited 中國服飾控股有限公司 (stock code: 1146) and Logan Property Holdings Company Limited 龍光地產控股有限公司 (stock code: 3380).

Ms. Li is a Chartered Secretary and a fellow of both the HKICS and the ICSA. She is a holder of the Practitioner's Endorsement from HKICS. Ms. Li holds a Bachelor of Arts degree from City University of Hong Kong.

Prior to joining Tricor, Ms. Li was a senior manager of secretarial department of Ernst & Young, Hong Kong.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the Corporate Governance Code set forth in Appendix 14 to the Listing Rules, our Company has formed three Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee.

Audit committee

Our Company has established an audit committee with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control and risk management system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

Our audit committee consists of three members, being Mr. Kong Chi Mo, Mr. Li Shu Wing David and Mr. Li Wenming. Mr. Kong Chi Mo currently serves as the chairman of our audit committee.

Remuneration committee

Our Company has established a remuneration committee with written terms of reference in compliance with the Listing Rules. The primary duties of the remuneration committee are to make recommendations on the remuneration of our senior management and to recommend members of the Board.

Our remuneration committee consists of three members, being Mr. Li Shu Wing David, Mr. Kong Chi Mo and Mr. Li. Mr. Li Shu Wing David currently serves as the chairman of our remuneration committee.

Nomination committee

Our Company has established a nomination committee with written terms of reference in compliance with the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding candidates to fill vacancies on the Board and/or in senior management.

Our nomination committee consists of three members, being Mr. Li, Mr. Li Shu Wing David and Mr. Dang Gengting. Mr. Li currently serves as the chairman of our nomination committee.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

For each of the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the aggregate amount of Directors' emoluments was approximately RMB863,000, RMB1,845,000, RMB2,030,000 and RMB1,055,000 respectively.

The aggregate amount of salaries and other emoluments, discretionary bonuses and retirement scheme contributions, paid by us to the five highest paid individuals of our Group (including our Directors) for each of the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 was approximately RMB1,425,000, RMB3,124,000, RMB3,925,000 and RMB2,079,000 respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as inducement to join or upon joining our Company, or as compensation for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. In addition, none of our Directors waived any emolument.

Under the arrangements currently in force, we estimate the aggregate remuneration of our Directors payable in respect of the financial year ending December 31, 2017 to be approximately RMB2,460,000 (excluding discretionary bonus).

Except as disclosed above, no other payments were paid, or were payable, by us to our Directors, or the five highest paid individuals during the Track Record Period.

SHARE OPTION SCHEMES

We conditionally adopted the Pre-IPO Share Option Scheme and conditionally adopted the Share Option Scheme on November 17, 2017. For details of the Pre-IPO Share Option Scheme and the Share Option Scheme, please see "Statutory and General Information—Other Information—15. Share Option Schemes—B. Pre-IPO Share Option Scheme" and "Statutory and General Information—Other Information—15. Share Option Schemes—A. Share Option Scheme", respectively, in Appendix IV to this prospectus.

COMPLIANCE ADVISOR

Our Company has appointed Guotai Junan Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance advisor on a timely basis in the following circumstances:

(1) before the publication of any regulatory announcement, circular or financial report;

(2) where a transaction, which might be a notifiable or connected transaction, is contemplated including but not limited to share issues and share repurchases;

(3) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of operations of our Group deviate from any forecast, estimate, or other information in this prospectus; and

(4) where the Stock Exchange makes an inquiry of our Company concerning unusual movements in the price or trading volume of our Shares, the possible development of a false market in our Shares or any other matters set forth in Rule 13.10 of the Listing Rules.

The term of appointment of the compliance advisor shall commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date.

CORPORATE GOVERNANCE CODE

We consider that having Mr. Li acting as both our Chairman and our general manager will provide a strong and consistent leadership to us and allow for more effective planning and management for our Group. Pursuant to A.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, in view of Mr. Li's extensive experience in the industry, personal profile and critical role in our Group and its historical development, we consider that it is beneficial to the business prospects of our Group that Mr. Li continues to act as both our Chairman and our general manger after the Listing.

Except as disclosed above, our Directors consider that, as of the Latest Practicable Date, our Company has fully complied with the applicable code provisions as set forth in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-Allotment Option or the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), the following persons will have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Capacity/nature of interest	As of the date of this prospectus		Immediately following the completion of the Capitalization Issue and the Global Offering[1]	
		Number of Shares or securities held	Approximate percentage of shareholding	Number of Shares or securities held	Approximate percentage of shareholding
Mr. Li[2]	Founder of a discretionary trust and interest in a controlled corporation	78,021(L)	78.021%	585,157,500(L)	58.51575%
	Interest of spouse	1,350(L)	1.350%	10,125,000(L)	1.01250%
Trident Trust[3]	Trustee of a discretionary trust and interest in a controlled corporation	78,021(L)	78.021%	585,157,500(L)	58.51575%
Rainbow Holdings[3]	Interest in a controlled corporation	78,021(L)	78.021%	585,157,500(L)	58.51575%
Ximalaya[2, 3]	Beneficial owner	78,021(L)	78.021%	585,157,500(L)	58.51575%
Ms. Zhang Bin[4]	Interest in a controlled corporation	1,350(L)	1.350%	10,125,000(L)	1.01250%
	Interest of spouse	78,021(L)	78.021%	585,157,500(L)	58.51575%
Mr. Zhang Chaoyang[5]	Interest in a controlled corporation	8,991(L)	8.991%	67,432,500(L)	6.74325%
Suntop[5]	Beneficial owner	8,991(L)	8.991%	67,432,500(L)	6.74325%
OrbiMed Advisors II Limited[6]	Interest in a controlled corporation	10,000(L)	10.000%	75,000,000(L)	7.50000%
OrbiMed Asia GP II, L.P.[6]	Interest in a controlled corporation	10,000(L)	10.000%	75,000,000(L)	7.50000%
OrbiMed Asia[6]	Beneficial owner	10,000(L)	10.000%	75,000,000(L)	7.50000%

Notes:

(1) The letter "L" denotes a person's long position in our Shares.

(2) Mr. Li directly holds 50% of the issued share capital of Ximalaya, which holds 585,157,500 Shares. Therefore, Mr. Li is deemed to be interested in Ximalaya's interest in our Shares pursuant to the SFO. In addition, Mr. Li is the husband of Ms. Zhang Bin. Therefore, Mr. Li is deemed to be interested in Ms. Zhang Bin's interest in our Shares pursuant to the SFO. Mr. Li is also the founder of the Family Trust.

(3) The Family Trust is a discretionary trust established by Mr. Li as settlor, with Trident Trust acting as trustee. The beneficiaries of the Family Trust are Mr. Li and certain of his family members. Trident Trust holds 100% of the issued share capital of Rainbow Holdings, which holds 50% of the issued share capital of Ximalaya. Therefore, each of Trident Trust and Rainbow Holdings is deemed to be interested in Ximalaya's interest in our Shares pursuant to the SFO.

(4) Ms. Zhang Bin is the sole shareholder of Summer which holds 10,125,000 Shares. Therefore, Ms. Zhang Bin is deemed to be interested in Summer's interest in our Shares pursuant to the SFO. In addition, Ms. Zhang Bin is the wife of Mr. Li. Therefore, Ms. Zhang Bin is deemed to be interested in Mr. Li's interest in our Shares pursuant to the SFO.

(5) Mr. Zhang Chaoyang is the sole shareholder of Suntop which holds 67,432,500 Shares. Therefore, Mr. Zhang Chaoyang is deemed to be interested in Suntop's interest in our Shares pursuant to the SFO. Mr. Zhang Chaoyang is the brother of Ms. Zhang Bin and the brother-in-law of Mr. Li.

(6) Assuming all Series A Preferred Shares are converted into Ordinary Shares on a one-for-one basis prior to the Listing pursuant to the terms in the Pre-IPO Investment Shareholders Agreement and the articles of association of the Company in force prior to the adoption of the Articles, OrbiMed Asia shall hold 75,000,000 Ordinary Shares upon completion of the Capitalization Issue and the Global Offering (without taking into account any Share which may be allotted and issued upon exercise of the Over-Allotment Option or the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme). The general partner of OrbiMed Asia is OrbiMed Asia GP II, L.P., whose general partner is OrbiMed Advisors II Limited. Therefore, each of OrbiMed Asia GP II, L.P. and OrbiMed Advisors II Limited is deemed to be interested in OrbiMed Asia's interest in our Shares pursuant to the SFO.

Except as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Capitalization Issue and the Global Offering (without taking into account any Share which may be allotted and issued upon exercise of the Over-Allotment Option or the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group. Our Directors are not aware of any arrangement which may result in a change of control of our Company at a subsequent date.

The authorized share capital of our Company as of the Latest Practicable Date was HK$380,000 divided into (a) 37,990,000 Ordinary Shares of par value of HK$0.01 each and (b) 10,000 Series A Preferred Shares of par value of HK$0.01 each. The issued share capital of our Company as of the Latest Practicable Date was (a) 90,000 Ordinary Shares of par value of HK$0.01 each and (b) 10,000 Series A Preferred Shares of par value of HK$0.01 each.

The following is a description of the authorized share capital of our Company in issue and to be issued as fully paid or credited as fully paid upon completion of the Capitalization Issue and the Global Offering:

		HK$
Authorized share capital:		
2,000,000,000	Shares of HK$0.01 each	20,000,000
	Shares	20,000,000

Assuming the Over-Allotment Option is not exercised, the issued share capital of our Company immediately following the Global Offering will be as follows:

		HK$	**Approximate percentage of issued share capital (%)**
Issued and to be issued, fully paid or credited as fully paid, upon completion of the Capitalization Issue and the Global Offering:			
100,000	Shares in issue as of the date of this prospectus*(Note)*	1,000	0.01%
749,900,000	Shares to be issued under the Capitalization Issue	7,499,000	74.99%
250,000,000	Shares to be issued under the Global Offering	2,500,000	25.00%
1,000,000,000	Shares in total	10,000,000	100.00%

Note: It includes 90,000 Ordinary Shares in issue, representing 90% of the entire issued share capital of our Company, and 10,000 Series A Preferred Shares convertible into 10,000 Ordinary Shares pursuant to the terms in the Pre-IPO Investment Shareholders Agreement and the articles of association of the Company in force prior to the adoption of the Articles, representing 10% of the entire issued share capital of our Company.

Assuming the Over-Allotment Option is exercised in full, the issued share capital of our Company immediately following the Global Offering will be as follows:

		HK$	Approximate percentage of issued share capital (%)
Issued and to be issued, fully paid or credited as fully paid, upon completion of the Capitalization Issue and the Global Offering:			
100,000	Shares in issue as of the date of this prospectus*(Note)*	1,000	0.01%
749,900,000	Shares to be issued under the Capitalization Issue	7,499,000	72.28%
287,500,000	Shares to be issued under the Global Offering including the Over-Allotment Option	2,875,000	27.71%
1,037,500,000	Shares in total	10,375,000	100.00%

Note: It includes 90,000 Shares in issue, representing 90% of the entire issued share capital of our Company, and 10,000 Series A Preferred Shares convertible into 10,000 Shares pursuant to the terms in the Pre-IPO Investment Shareholders Agreement and the articles of association of the Company in force prior to the adoption of the Articles, representing 10% of the entire issued share capital of our Company.

ASSUMPTIONS

The above tables assume that the Global Offering becomes unconditional.

The above tables take no account of (a) Shares which may be allotted and issued upon exercise of the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme; or (b) any Shares which may be allotted and issued or repurchased by our Company pursuant to the General Mandate and the Repurchase Mandate as described below.

RANKING

The Offer Shares and our Shares that may be issued pursuant to exercise of the Over-Allotment Option and the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme will rank pari passu in all respects with all other existing Shares in issue as mentioned in this prospectus, and in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on our Shares after the date of this prospectus except for entitlements under the Capitalization Issue.

SHARE OPTION SCHEMES

We conditionally adopted the Pre-IPO Share Option Scheme on November 17, 2017. Under the Pre-IPO Share Option Scheme, the eligible participants of the scheme, including directors and full-time employees of our Company or its subsidiaries, may be granted options prior to the Listing which entitle them to subscribe for our Shares. Further details of the terms of the Pre-IPO Share Option Scheme and the grantees are summarized in "—Other Information—15. Share Option Schemes—B. Pre-IPO Share Option Scheme" in Appendix IV to this prospectus.

We conditionally adopted the Share Option Scheme on November 17, 2017. Under the Share Option Scheme, the eligible participants of the scheme, including directors, full-time employees of and advisors and consultants to our Company or our subsidiaries may be granted options after the Listing which entitle them to subscribe for our Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of our Shares in issue on the Listing Date. Further details of the terms of the Share Option Scheme are summarized in "—Other Information—15. Share Option Schemes—A. Share Option Scheme" in Appendix IV to this prospectus.

GENERAL MANDATE

Our Directors have been granted a general unconditional mandate to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, or under the Capitalization Issue or the Global Offering or upon the exercise of the Over-Allotment Option, an aggregate number of Shares not exceeding the sum of (a) 20% of the aggregate number of issued Shares immediately following completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be allotted and issued upon exercise of the Over-Allotment Option or the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme); and (b) the aggregate number of Shares which may be repurchased by our Company under the Repurchase Mandate.

This General Mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting,

whichever occurs first.

For further details of the General Mandate, see "Information about our Company—3. Resolutions in writing of our Shareholders passed on November 17, 2017" in Appendix IV to this prospectus.

REPURCHASE MANDATE

Our Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to repurchase Shares with an aggregate number of Shares of not more than 10% of the aggregate number of issued Shares immediately following completion of the Capitalization Issue and the Global Offering (but excluding the Shares which may be allotted and issued upon exercise of the Over-Allotment Option or any options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme).

This Repurchase Mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which our Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in "– Information about our Company – 7. Securities repurchase mandate" in Appendix IV to this prospectus.

This Repurchase Mandate will expire:

(i) at the conclusion of our Company's next annual general meeting; or

(ii) upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting,

whichever occurs first.

For further information about this Repurchase Mandate, see "Information about our Company—3. Resolutions in writing of our Shareholders passed on November 17, 2017" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company currently has two classes of shares, namely Ordinary Shares and Series A Preferred Shares. All the Series A Preferred Shares will be automatically converted into Ordinary Shares prior to the Listing pursuant to the terms in the Pre-IPO Investment Shareholders Agreement and the articles of association of the Company in force prior to the adoption of the Articles. Upon the Listing, our Company will have only one class of shares in issue, namely Ordinary Shares, each of which shall rank pari passu with the other shares.

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its Shares into several classes; (iv) sub-divide its Shares into shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Islands Companies Law, reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution. For further details, see "2. Articles of Association—(a) Shares—(iii) Alteration of capital" in Appendix III to this prospectus.

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to our Shares or any class of our Shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our shares of that class. For further details, see "2. Articles of Association—(a) Shares—(ii) Variation of rights of existing shares or classes of shares" in Appendix III to this prospectus.

FUTURE PLANS

We strive to become a world-class innovative medtech company and continue to offer personalized solutions and implant products to surgeons and patients. See "Our Business—Our Strategies" for our business strategies.

USE OF PROCEEDS

The following table sets forth the estimate of net proceeds from the Global Offering which we are expected to receive after deduction of underwriting commission, incentive fee and estimated expenses payable by us in connection with the Global Offering:

	Assuming the Over-Allotment Option is not exercised	Assuming the Over-Allotment Option is exercised in full
	(in millions of Hong Kong dollars)	
Assuming an Offer Price of HK$1.83 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)	386.5	451.7
Assuming an Offer Price of HK$2.00 per Offer Share (being the high end of the Offer Price range stated in this prospectus)	426.9	498.2
Assuming an Offer Price of HK$1.66 per Offer Share (being the low end of the Offer Price range stated in this prospectus)	346.2	405.3

We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 41.0% will be primarily used for the construction of the Changzhou Facilities, and, to a lesser extent, upgrading our existing facilities in Beijing and acquisition of new equipment for both the Changzhou Facilities and our existing facilities in Beijing. The current designed annual production capacity of the Changzhou Facilities is 150,000 sets of off-the-shelf orthopedic joint implants, representing approximately 1.5 times of our annualized production capacity for off-the-shelf orthopedic joint implants based on the six months ended June 30, 2017. We expect to reach this capacity by 2021. We aim to increase the production capacity of 3D-printed products by 33.3% by the end of 2018. See "Our Business—Production" for details;

- approximately 21.0% will be used in connection with the development and upgrade of our 3D-printed products and PTIP, including primarily funding the R&D of 3D-printed products, including the next generation of our existing 3D-printed products, procuring 3D-printing machines and relevant devices for R&D, and upgrading the data processing software, the instant messaging applications and the data base to enhance the efficiency of our PTIP, through which we can enhance the brand recognition of our 3D ACT solutions among hospitals and surgeons and expand its application into other orthopedic product market sectors such as bone tumor and maxillofacial sectors. See "Our Business—Our Strategies—Further ramp up the application of our personalized 3D ACT solutions in both high-end and mass markets to further drive the growth of our product sales, broaden our product portfolio, and enhance customer stickiness" for details;

- approximately 15.0% will be used for other R&D activities, including funding the development of off-the-shelf orthopedic products, including new generation of off-the-shelf orthopedic joint implants and spine replacement implants, as well as other off-the-shelf orthopedic products such as trauma and oral orthopedic products; see "Our Business—Our Strategies—Expanding the breadth of our product portfolio into newly-captured orthopedic product market sectors" for details;

- approximately 15.0% will be used for funding potential acquisitions and developing strategic alliances that could complement our existing product portfolio, technology and business growth. In particular, we plan to target companies that have CFDA registration certificates or related technologies for products that we do not currently produce but plan to develop in select areas. As of the Latest Practicable Date, we had considered several potential targets in Europe but discussion remained preliminary and we had not entered into any agreements or understanding. See "Our Business—Our Strategies—Explore strategic acquisition and alliance opportunities" for details; and

- approximately 8.0% will be used for general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro-rata basis if the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range. To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes and to the extent permitted by applicable laws and regulations, we may allocate part or all of the proceeds to short-term interest-bearing deposits or money market instruments with authorized financial institutions or licensed banks.

We will issue an appropriate announcement if there is any material change to the above proposed use of proceeds.

HONG KONG UNDERWRITERS

Goldman Sachs (Asia) L.L.C.
Guotai Junan Securities (Hong Kong) Limited

UNDERWRITING AGREEMENT AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement dated December 5, 2017 and entered into among us, the Controlling Shareholders (other than Trident Trust and Rainbow Holdings), the Sole Global Coordinator and the Hong Kong Underwriters, we are offering initially 25,000,000 Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to (i) the Listing Committee granting the listing of, and permission to deal in, the Shares and any Shares to be issued pursuant to the exercise of options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme; (ii) the International Underwriting Agreement having been signed and becoming unconditional; and (iii) certain other conditions set forth in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to apply or procure applications, on the terms and conditions of this prospectus and the related Application Forms, for their respective proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering.

Grounds for Termination

The Sole Global Coordinator, for itself and on behalf of the Hong Kong Underwriters, shall be entitled by notice (in writing) to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any local, national, regional or international event or circumstance in the nature of force majeure (including any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting the Cayman Islands, the BVI, Hong Kong, China, the United States, the United Kingdom or the European Union (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, or the London Stock Exchange; or

(iv) any general moratorium on commercial banking activities in the Cayman Islands, Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), China, New York (imposed at Federal or New York State level or other competent authority), London, or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(v) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of sanctions, in whatever form, directly or indirectly, under any sanction laws or regulations in Hong Kong, China or any other Relevant Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxes or exchange control, currency exchange rates or foreign investment regulations (including a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(viii) any litigation or claim of any third party being threatened or instigated against any member of our Group; or

(ix) a Director or a member of the Group's senior management named in this prospectus being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company; or

(x) the chairman, the chief executive officer or the chief financial officer of our Company vacating his or her office; or

(xi) an authority or a political body or organization in any Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xii) a contravention by any member of our Group of the Listing Rules or applicable laws; or

(xiii) a prohibition by an authority on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any additional Shares that may be issued pursuant to the exercise of the Over-Allotment Option) pursuant to the terms of the Global Offering; or

(xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xv) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents issued or used in connection with the contemplated offer and sale of Shares) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvi) an order or petition for the winding-up of any member of our Group, or any composition or arrangement made by any member of our Group with our creditors, or a scheme of arrangement entered into by any member of our Group, or any resolution for the winding-up of any member of our Group, or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group, or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole opinion of the Sole Global Coordinator, (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Sole Global Coordinator:

(i) that any statement contained in any of this prospectus, the post-hearing-information pack, the Application Forms, the offering circular, the formal notice, the announcement for adoption of mixed media offer (if any), the preliminary offering circular, the price determination agreement, the receiving bank agreement, the registrar agreement, the agreement between our Company and the **HK eIPO White Form** Service Provider, and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering and certain other documents (collectively, the "**Offer Related Documents**") (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Offer Related Documents (including any supplement or amendment thereto); or

(iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties as set out in the Hong Kong Underwriting Agreement; or

(v) any Material Adverse Change as defined under the Hong Kong Underwriting Agreement; or

(vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings of our Company and our Controlling Shareholders (other than Trident Trust and Rainbow Holdings) set out in the Hong Kong Underwriting Agreement; or

(vii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws any of the Offer Related Documents or the Global Offering; or

(ix) any person (other than the Sole Sponsor) has withdrawn or is subject to withdrawing its consent to being named in this prospectus or to the issue of any of this prospectus, the Application Forms, the formal notice and the announcement for adoption of mixed media offer (if any); or

(x) a material portion of the orders placed or confirmed in the book-building process have been withdrawn, terminated or canceled.

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertaking by Us

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within such period), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertaking by the Controlling Shareholder

Pursuant to Rule 10.07(1) of the Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange that except pursuant to the Global Offering and the Over-Allotment Option, he or it shall not and shall procure that the relevant registered holder(s) shall not:

- in the period commencing from the Latest Practicable Date and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company in respect of which he or it is shown by this prospectus to be the beneficial owner; or

- in the period of six months commencing on the date on which the period referred to in the preceding paragraph expires, dispose of or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company referred to in the preceding paragraph if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be the Controlling Shareholder.

Pursuant to Note 3 to Rule 10.07(1) of the Listing Rules, the Controlling Shareholders have further undertaken to the Stock Exchange and our Company that, within a period commencing on the Latest Practicable Date and ending on a date which is 12 months from the Listing Date, he or it will:

(a) when he or it pledges or charges any Shares or securities of our Company beneficially owned by him or it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such Shares or securities of our Company so pledged or charged; and

(b) when he or it receives any indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of, immediately inform us of any such indications.

We have agreed and undertaken to the Stock Exchange that, we shall inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

Undertaking by Us

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Sole Global Coordinator, the Sole Bookrunner, the Hong Kong Underwriters and the Sole Sponsor not to, and to procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, except for the offer and sale of Offer Shares pursuant to the Global Offering (including pursuant to the Over-Allotment Option, the Capitalization Issue and the Share Option Scheme) and otherwise pursuant to the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on and including the date that is six months after the Listing Date (the "**First Six-Month Period**"):

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any Shares or any shares of such other member of our Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to, or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period). In the event that during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. The Controlling Shareholders undertake to each of the Sole Global Coordinator, the Hong Kong Underwriters and the Sole Sponsor to procure our Company to comply with the undertakings in (a).

Undertaking by Controlling Shareholders (other than Trident Trust and Rainbow Holdings)

Each of the Controlling Shareholders (other than Trident Trust and Rainbow Holdings) has undertaken to each of our Company, the Sole Global Coordinator, the Sole Bookrunner, the Hong Kong Underwriters and the Sole Sponsor that, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) he or it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (a)(i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph (a)(i), (ii) or (iii) above, in each case, whether any of the transactions specified in sub-paragraph (a)(i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(b) he or it will not, during the Second Six-Month Period, enter into any of the transactions specified in sub-paragraph (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he or it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of our Company; and

(c) until the expiry of the Second Six-Month period, in the event that he or it enters into any of the transactions specified in sub-paragraph (a)(i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, he or it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

INTERNATIONAL PLACING

International Underwriting Agreement

In connection with the International Placing, it is expected that we and the Controlling Shareholders (other than Trident Trust and Rainbow Holdings) will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally and not jointly to procure purchasers for, or to purchase, their respective proportions of the International Placing Shares being offered under the International Placing.

Under the International Underwriting Agreement, it is expected that we will grant to the International Underwriters the Over-Allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters, in whole or in part, for one time or more, at any time within 30 days from the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 37,500,000 additional Shares, representing in aggregate not more than approximately 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price to cover, among other things (such as effecting the permitted stabilizing actions as set out in "Structure of the Global Offering—Stabilization"), over-allocations, if any, in the International Placing.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as those in the Hong Kong Underwriting Agreement. Potential investors shall be reminded that if the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

We have agreed to indemnify the International Underwriters against certain liabilities, including liabilities under the U.S. Securities Act.

UNDERWRITING COMMISSIONS AND LISTING EXPENSES

The Underwriters will receive an underwriting commission per Offer Share of 3.5% of the Offer Price from our Company (including Offer Shares sold pursuant to the Over-Allotment Option). Our Company will pay the Sole Global Coordinator a discretionary incentive fee of up to 1.5% of the Offer Price per Offer Share. For any unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Underwriters (but not the Hong Kong Underwriters).

The aggregate underwriting commission and incentive fee, together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering, are estimated to be approximately HK$71.0 million in aggregate (based on an Offer Price of HK$1.83 per Share, being the mid-point of the Offer Price range stated in this prospectus and the assumption that the Over-Allotment Option is not exercised) and are to be borne by us.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that each of the Underwriters of the Hong Kong Public Offering and the International Placing, together referred to as "Syndicate Members," may individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

(a) all of them (except for the Stabilizing Manager or its designated affiliate as the stabilizing manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transaction relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the accounts of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving directly or indirectly, buying and selling the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described under the section headed "Structure of the Global Offering-Stabilization" in this prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares, and the volatility of the Shares' share price, and the extent to which this occurs from day to day cannot be estimated.

UNDERWRITERS' INTEREST IN OUR GROUP

Except as disclosed in this prospectus and the obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, none of the Underwriters has any shareholding interest in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of 25,000,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below under "—the Hong Kong Public Offering"; and

- the International Placing of 225,000,000 Offer Shares (subject to adjustment and the Over-Allotment Option as mentioned below) outside the United States in offshore transactions in reliance on Regulation S, and in the United States solely to QIBs as defined in Rule 144A pursuant to an exemption from the registration requirements of the U.S. Securities Act, as described below in "—the International Placing".

In connection with the Global Offering, it is expected that we will grant the Over-Allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters, at any time within 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 37,500,000 additional Shares, representing approximately 15.0% of the initial number of Offer Shares under the Global Offering, at the Offer Price to cover, among other things (such as effecting the permitted stabilizing actions as set out in "—Stabilization" below), over-allocations, if any, in the International Placing.

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offering; or

- apply for or indicate an interest for the International Placing Shares under the International Placing,

but may not do both.

The 250,000,000 Offer Shares in the Global Offering will represent approximately 25.0% of our enlarged share capital immediately after the completion of the Global Offering, without taking into account the exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of our enlarged share capital immediately following the completion of the Global Offering.

References to applications, Application Forms, application or subscription monies, or procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

We are initially offering 25,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth below in "—Conditions of the Global Offering".

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools:

- Pool A: the Offer Shares will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of HK$5.0 million or less (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee); and

- Pool B: the Offer Shares will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate subscription price of more than HK$5.0 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the "subscription price" for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 12,500,000 Hong Kong Offer Shares will be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to reallocation under the Listing Rules. In accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules, if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing. As a result of such reallocation, the total number of Hong Kong Offer Shares will be increased to 75,000,000 Offer Shares (in the case of (i)), 100,000,000 Offer Shares (in the case of (ii)) and 125,000,000 Offer Shares (in the case of (iii)), representing approximately 30.0%, 40.0% and 50.0% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-Allotment Option), respectively.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B in equal proportion and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator shall have the discretion to reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Placing Shares under the International Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$2.00 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "—Pricing and Allocation", is less than the maximum price of HK$2.00 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. For more details, see "How to Apply for the Hong Kong Offer Shares".

THE INTERNATIONAL PLACING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Placing 225,000,000 Offer Shares, representing approximately 90.0% of the Offer Shares under the Global Offering and approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering, assuming the Over-Allotment Option is not exercised.

Allocation

The International Placing will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for our Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of the Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to the Price Determination Date.

Allocation of the Offer Shares pursuant to the International Placing will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to hold or sell its Shares, after the Listing. Such allocation is intended to result in a distribution of the Offer Shares under the International Placing on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of us and our shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any applications of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Placing may change as a result of the clawback arrangement described in "—The Hong Kong Public Offering—Reallocation" or the Over-Allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-Allotment Option to the International Underwriters.

Pursuant to the Over-Allotment Option, the International Underwriters have the right, exercisable by the Sole Global Coordinator on behalf of the International Underwriters in whole or in part, for one time or more, at any time during the 30-day period from the last date for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to 15.0% of the total number of the Offer Shares initially available under the Global Offering at the Offer Price under the International Placing to cover, among other things (such as effecting the permitted stabilizing actions as set out in "—Stabilization" below), over-allocations in the International Placing, if any.

If the Over-Allotment Option is exercised in full, the additional Shares to be issued pursuant thereto will represent approximately 3.75% of our issued share capital immediately following the completion of the Global Offering before the issue of such additional Shares. In the event that the Over-Allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager or any persons acting for it, to conduct any such stabilizing action. Such stabilizing action, if taken, will be conducted at the absolute discretion of the Stabilizing Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering. Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-Allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in Shares should note that:

- the Stabilizing Manager may, in connection with the stabilizing action, maintain a long position in the Shares;

- there is no certainty as to the extent to which and the time period for which the Stabilizing Manager will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;

- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date and is expected to expire on January 11, 2018, being the 30th day after the last day for lodging applications under the Hong Kong Public Offer. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of any security (including the Shares) cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager or any person acting for it may cover such over-allocations by (among other methods) exercising the Over-Allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

Stock Borrowing Arrangement

To facilitate the settlement of over-allocation in connection with the Global Offering, the Stabilizing Manager may choose to borrow, whether on its own or through its affiliates, up to 37,500,000 Shares, representing approximately 15% of the Offer Shares (being the maximum number of Offer Shares which may be issued upon exercise of the Over-Allotment Option), from Ximalaya, a Controlling Shareholder, pursuant to the Stock Borrowing Agreement which is expected to be entered into between the Stabilizing Manager or its affiliate and Ximalaya. Such stock borrowing arrangement under the Stock Borrowing Agreement, if entered into, will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with.

Such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-Allotment Option. The same number of Offer Shares so borrowed must be returned to Ximalaya or its nominees on or before the third Business Day following the earlier of (a) the last day on which the Over-Allotment Option may be exercised, or (b) the day on which the Over-Allotment Option is exercised in full and all relevant Offer Shares have been issued and allotted by the Company; or (c) such earlier time as the parties may from time to time agree in writing. No payment will be made to Ximalaya by the Stabilizing Manager or its agent in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between us and the Sole Global Coordinator (on behalf of the Underwriters), on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Wednesday, December 13, 2017 (Hong Kong time), and in any event, not later than Tuesday, December 19, 2017 (Hong Kong time). Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this prospectus.

The Offer Price will not be more than HK$2.00 and is expected to be not less than HK$1.66, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offer as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offer, you must pay the maximum Offer Price of HK$2.00 per Offer Share, plus 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee. This means that for one board lot of 2,000 Shares, you should pay HK$4,040.31 at the time of your application.

If the Offer Price, as finally determined in the manner described below, is lower than HK$2.00, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, see "How to Apply for the Hong Kong Offer Shares".

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Sole Global Coordinator, on behalf of the Underwriters, may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice in South China Morning Post (in English), Hong Kong Economic Journal (in Chinese) of the reduction and posted on the website of the Stock Exchange (**www.hkexnews.hk**) and on our website (**www.ak-medical.net**) (the contents of the website do not form a part of this prospectus).

Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by us, will be fixed within such revised Offer Price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in the section "Summary", and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Sole Global Coordinator (on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

The Offer Price, an indication of the level of interest in the International Placing, the basis of allotment of Offer Shares available under the Hong Kong Public Offering and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the section "How to Apply for the Hong Kong Offer Shares—14. Despatch/Collection of Share Certificates and Refund Monies".

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date. These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section "Underwriting".

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on, among others:

- the Listing Committee granting approval for the listing of, and permission to deal in, the Shares to be issued pursuant to the Global Offering (including any Shares which may be issued by us pursuant to the exercise of the Over-Allotment Option and any option granted or to be granted pursuant to the Pre-IPO Share Option Scheme or the Share Option Scheme);

- the Offer Price being duly determined;

- the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and

- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Wednesday, December 20, 2017.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (on behalf of the Underwriters) on or before Tuesday, December 19, 2017, the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English), Hong Kong Economic Journal (in Chinese) and on the website of the Stock Exchange (**www.hkexnews.hk**) and on our website (**www.ak-medical.net**) on the next day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set forth in the section "How to Apply for the Hong Kong Offer Shares—14. Despatch/Collection of Share Certificates and Refund Monies". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, December 20, 2017, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, December 20, 2017.

The Shares will be traded in board lots of 2,000 Shares each and the stock code of the Shares will be 1789.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online through the designated website of the **HK eIPO White Form** Service Provider, referred herein as the "**HK eIPO White Form**"; or
- give **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf.

None of you or your joint applicant(s) may make more than one application (whether individually or jointly), except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are not a U.S. person (as defined in Regulation S);
- are outside the United States and will be acquiring the Hong Kong Offer Shares in an offshore transaction (as defined in Regulation S); and
- are not a legal or natural person of China (except qualified domestic institutional investors).

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

We, the Sole Global Coordinator or the designated **HK eIPO White Form** Service Provider (where applicable), or our or their respective agents, have full discretion to reject or accept any application, in full or in part, without assigning any reason.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, December 7, 2017 until 12:00 noon on Tuesday, December 12, 2017 from:

- any of the following offices of the Hong Kong Underwriters:

Goldman Sachs (Asia) L.L.C.	68th Floor, Cheung Kong Center 2 Queen's Road Central Hong Kong
Guotai Junan Securities (Hong Kong) Limited	26/F-28/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong

- any of the following branches of the receiving bank:

Standard Chartered Bank (Hong Kong) Limited

District	Branch name	Branch address
Hong Kong Island.	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
	Aberdeen Branch	Shop 4A, G/F and Shop 1, 1/F, Aberdeen Centre Site 5, No.6-12 Nam Ning Street, Aberdeen
Kowloon	Kwun Tong Branch	G/F & 1/F One Pacific Centre, 414 Kwun Tong Road, Kwun Tong
	Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kowloon Bay
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Lok Fu Shopping Centre Branch	Shop G201, G/F., Lok Fu Shopping Centre
New Territories	Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi
	Metroplaza Branch	Shop No. 175, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
	Shatin Plaza Branch	Shop No. 8, Shatin Plaza, 21-27 Shatin Centre Street, Shatin

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Thursday, December 7, 2017 until 12:00 noon on Tuesday, December 12, 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "HORSFORD NOMINEES LIMITED — AK Medical Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Thursday, December 7, 2017 — 9:00 a.m. to 5:00 p.m.
- Friday, December 8, 2017 — 9:00 a.m. to 5:00 p.m.
- Saturday, December 9, 2017 — 9:00 a.m. to 1:00 p.m.
- Monday, December 11, 2017 — 9:00 a.m. to 5:00 p.m.
- Tuesday, December 12, 2017 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, December 12, 2017, the last application day or such later time as described in "—10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles;

- agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form(s) and agree to be bound by them;

- confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

- confirm that you are aware of the restrictions on the Global Offering in this prospectus;

- agree that none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

- agree to disclose to our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

- agree that your application will be governed by the laws of Hong Kong;

- represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and, prior to the expiration of the period of 40 days after the commencement of the International Placing, may not be offered, resold, pledged or transferred within the United States except in certain transactions in reliance on Rule 144A; (b) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and (c) the purchaser is not an "affiliate" (within the meaning of Regulation S) of our Company or a person acting on the behalf of our Company or an affiliate of our Company;

- warrant that the information you have provided is true and accurate;

- agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

- authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or our agents to deposit any share certificate(s) into CCASS and to send any e-Auto refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect refund cheque(s) in person;

- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

- understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

- (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (b) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria as described in "—2. Who Can Apply" in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application through the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** from 9:00 a.m. on Thursday, December 7, 2017 until 11:30 a.m. on Tuesday, December 12, 2017 (24 hours daily, except on the last application day) and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, December 12, 2017 or such later time specified under "—10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System **https://ip.ccass.com** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that our Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Thursday, December 7, 2017 — 9:00 a.m. to 8:30 p.m.(1)
- Friday, December 8, 2017 — 8:00 a.m. to 8:30 p.m.(1)
- Monday, December 11, 2017 — 8:00 a.m. to 8:30 p.m.(1)
- Tuesday, December 12, 2017 — 8:00 a.m.(1) to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, December 7, 2017 until 12:00 noon on Tuesday, December 12, 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, December 12, 2017, the last application day or such later time as described in "—10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance as (applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, December 12, 2017.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange. "Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering—Pricing and Allocation".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, December 12, 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 am and 12:00 noon.

If the application lists do not open and close on Tuesday, December 12, 2017 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, December 19, 2017 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on our Company's website at **www.ak-medical.net** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.ak-medical.net** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m., Tuesday, December 19, 2017;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m., Tuesday, December 19, 2017 to 12:00, midnight, Monday, December 25, 2017;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, December 19, 2017 to Friday, December 22, 2017 (excluding Saturday, Sunday and Public Holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, December 19, 2017 to Thursday, December 21, 2017 at all the designated branches of the receiving bank.

If our Company accepts your offer to subscribe (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details, see "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$2.00 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering—Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, December 19, 2017.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangements for dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Tuesday, December 19, 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, December 20, 2017 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, December 19, 2017 or such other date as is notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Tuesday, December 19, 2017, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Tuesday, December 19, 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, December 19, 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offering Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offering Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "—11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, December 19, 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form Service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, December 19, 2017, or such other date as is notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, December 19, 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, December 19, 2017, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "—11. Publication of Results" above on Tuesday, December 19, 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, December 19, 2017 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, December 19, 2017. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account,

HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, December 19, 2017.

15. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence from 9:00 a.m. on Wednesday, December 20, 2017.

The Shares will be traded in board lots of 2,000 each. The stock code of the Shares is 1789.

16. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from Listing Date or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-42, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF AK MEDICAL HOLDINGS LIMITED AND GOLDMAN SACHS (ASIA) L.L.C.

Introduction

We report on the historical financial information of AK Medical Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-42, which comprises the consolidated statements of financial position of the Group as at 31 December 2014, 2015, 2016 and 30 June 2017 and the statements of financial position of the Company as at 31 December 2015, 2016 and 30 June 2017 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2014, 2015, 2016 and the six months ended 30 June 2017 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-42 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 7 December 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the

basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2014, 2015, 2016 and 30 June 2017 and the Company's financial position as at 31 December 2015, 2016 and 30 June 2017, and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the 6 months ended 30 June 2016 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
7 December 2017

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with International Standards on Auditing issued by the IAASB ("Underlying Financial Statements").

Consolidated statements of profit or loss and other comprehensive income

	Note	Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	4	148,278	206,164	270,777	115,347	162,517
Cost of sales	6	(46,933)	(64,108)	(83,466)	(35,470)	(50,814)
Gross Profit		101,345	142,056	187,311	79,877	111,703
Other income	5	1,778	823	793	368	1,854
Selling and distribution expenses	6	(17,416)	(28,782)	(36,229)	(14,098)	(19,660)
General and administrative expenses	6	(12,377)	(22,262)	(38,115)	(20,180)	(18,276)
Research and development expenses		(15,539)	(18,878)	(20,390)	(8,266)	(17,929)
Operating Profit		57,791	72,957	93,370	37,701	57,692
Net financial income	7	2,506	2,994	1,657	988	478
Profit before tax	6	60,297	75,951	95,027	38,689	58,170
Income tax expense	8	(8,576)	(11,044)	(17,701)	(5,467)	(8,120)
Profit for the year/period		51,721	64,907	77,326	33,222	50,050
Other comprehensive income						
Items that are or may be reclassified subsequently to profit or loss						
Exchange differences on translation of financial information of entities outside mainland China		—	80	4,189	1,436	(740)
Other comprehensive income, net of tax		—	80	4,189	1,436	(740)
Total comprehensive income		51,721	64,987	81,515	34,658	49,310
Profit attributable to owners of the Company		51,721	64,987	81,515	34,658	49,310
Total comprehensive income attributable to owners of the Company		51,721	64,987	81,515	34,658	49,310
Earnings per share (RMB cents)						
Basic and diluted	10	7	9	10	4	7

The accompanying notes form part of these financial statements.

Consolidated statements of financial position

	Note	The Group			
		As at 31 December			As at 30 June
		2014	2015	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	12	29,528	48,908	69,837	88,918
Intangible assets	13	1,820	5,947	6,571	9,131
Deferred tax assets	21(b)	4,174	4,877	6,670	8,372
Other non-current assets		88	45	—	—
		35,610	59,777	83,078	106,421
Current assets					
Inventories	14	34,720	58,400	67,805	84,848
Trade receivables	15	18,975	43,330	66,757	66,131
Bills receivable	15	5,073	14,531	14,773	23,590
Deposits, prepayments and other receivables	16	5,108	7,618	12,525	13,209
Available-for-sale financial assets	17	70,000	—	—	—
Cash and cash equivalents	18	43,161	100,094	160,597	165,628
		177,037	223,973	322,457	353,406
Current liabilities					
Trade payables	19	14,691	29,408	33,740	43,974
Accruals and other payables	20	16,530	45,021	31,195	45,876
Current tax	21(a)	2,707	5,875	8,917	11,382
Deferred revenue	22	15,373	18,033	21,922	22,209
Provision	23	1,764	2,482	3,260	4,027
		51,065	100,819	99,034	127,468
Net current assets		125,972	123,154	223,423	225,938
Total assets less current liabilities		161,582	182,931	306,501	332,359
Non-current liabilities					
Deferred revenue	22	5,631	5,993	8,208	7,892
Deferred tax liabilities	21(b)	–	–	3,900	3,900
		5,631	5,993	12,108	11,792
NET ASSETS		155,951	176,938	294,393	320,567
Capital and reserves					
Capital	24(a)	34,000	55,556	1	1
Reserves	24(b)	121,951	121,382	294,392	320,566
Total equity attributable to owners of the Company		155,951	176,938	294,393	320,567

	Note	The Company		
		As at 31 December		As at 30 June
		2015	2016	2017
		RMB'000	RMB'000	RMB'000
Current assets				
Deposits, prepayments and other receivables	16	7,203	176,786	142,711
Cash and cash equivalents	18	52,752	5,317	17,189
		59,955	182,103	159,900
Current liabilities				
Accruals and other payables		1,947	933	4,241
		1,947	933	—
Net current assets		58,008	181,170	155,659
Total assets less current liabilities		58,008	181,170	155,659
NET ASSETS		58,008	181,170	155,659
Capital and reserves				
Capital	24(a)	—	1	1
Reserves	24(b)	58,008	181,169	155,658
Total equity attributable to owners of the Company		58,008	181,170	155,659

The accompanying notes form part of these financial statements.

Consolidated statements of changes in equity

	Note	Share capital	Share premium	Capital Reserve	Statutory reserve	Retained profits	Exchange reserve	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014		34,000	—	21,175	11,334	68,321	—	134,830
Total comprehensive income for the year		—	—	—	—	51,721	—	51,721
Appropriation to statutory reserve	24(b)	—	—	—	5,073	(5,073)	—	—
Dividends declared	11	—	—	—	—	(30,600)	—	(30,600)
Balance at 31 December 2014 and 1 January 2015		34,000	—	21,175	16,407	84,369	—	155,951
Total comprehensive income for the year		—	—	—	—	64,907	80	64,987
Capital injection	24(a)(ii)	5,556	60,000	8,444	—	—	—	74,000
Appropriation to statutory reserve	24(b)	—	—	—	6,613	(6,613)	—	—
Transfer from capital reserve	24(a)(i)	16,000	—	(16,000)	—	—	—	—
Dividends declared	11	—	—	—	—	(118,000)	—	(118,000)
Balance at 31 December 2015 and 1 January 2016		55,556	60,000	13,619	23,020	24,663	80	176,938
Total comprehensive income for the year		—	—	—	—	77,326	4,189	81,515
Capital injection	24(a)(ii)	—	66,000	—	—	—	—	66,000
Arising from Reorganisation	24(a)(iii)	(55,555)	14,000	(33,145)	(23,020)	23,020	—	(74,700)
Waiver of shareholder's loans	24(a)(iii)	—	—	74,700	—	—	—	74,700
Dividends declared	11	—	(30,060)	—	—	—	—	(30,060)
Balance at 31 December 2016		1	109,940	55,174	—	125,009	4,269	294,393
Balance at 1 January 2017		1	109,940	55,174	—	125,009	4,269	294,393
Total comprehensive income for the period		—	—	—	—	50,050	(740)	49,310
Dividends declared	11	—	(23,136)	—	—	—	—	(23,136)
Balance at 30 June 2017		1	86,804	55,174	—	175,059	3,529	320,567
Balance at 1 January 2016		55,556	60,000	13,619	23,020	24,663	80	176,938
Total comprehensive income for the period		—	—	—	—	33,222	1,436	34,658
Capital injection	24(a)(ii)	—	66,000	—	—	—	—	66,000
Arising from Reorganisation	24(a)(iii)	(55,555)	14,000	(33,145)	(23,020)	23,020	—	(74,700)
Waiver of shareholder's loans	24(a)(iii)	—	—	74,700	—	—	—	74,700
Balance at 30 June 2016 (Unaudited)		1	140,000	55,174	—	80,905	1,516	277,596

The accompanying notes form part of these financial statements.

Consolidated cash flow statements

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Operating activities					
Profit before tax	60,297	75,951	95,027	38,689	58,170
Adjustments for:					
Depreciation of property, plant and equipment	4,276	4,641	7,865	3,316	5,178
Amortisation of intangible assets	247	449	907	422	588
Amortisation of deferred income	(222)	(438)	(605)	(303)	(316)
Net finance income	(2,415)	(2,334)	(467)	(140)	(532)
Impairment losses on doubtful debts	220	456	664	437	2,267
Losses on disposal of property, plant and equipment	2	62	—	—	–
	62,405	78,787	103,391	42,421	65,355
Changes in:					
Inventories	(3,290)	(23,680)	(9,405)	(7,954)	(17,043)
Trade and bills receivables	(8,099)	(34,269)	(24,333)	(14,782)	(10,458)
Deposits, prepayments and other receivables	(1,417)	(2,508)	(2,475)	(2,771)	66
Pledged bank deposits	1,530	—	—	—	–
Trade payables	5,462	14,771	4,332	(5,937)	10,180
Accruals and other payables	1,210	8,402	6,017	(126)	14,682
Deferred revenue	1,196	2,660	3,889	147	287
Provisions	468	718	778	1,113	767
Cash generated from operations	59,465	44,881	82,195	12,111	63,836
Income tax paid	(8,373)	(8,579)	(12,552)	(6,435)	(7,357)
Net cash generated from operating activities	51,092	36,302	69,643	5,676	56,479
Investing activities					
Interest received	2,415	2,334	467	140	532
Development expenditures	(714)	(1,324)	(770)	(760)	(112)
Acquisition of other intangible assets	(654)	(2,981)	(707)	(280)	(2,958)
Acquisition of property, plant and equipment	(6,063)	(24,367)	(28,371)	(19,546)	(24,363)
Acquisition of available-for-sale financial assets	(310,000)	(95,000)	—	—	—
Proceeds from sale of available-for-sale financial assets	295,000	165,000	—	—	—
Government grants received relating to assets	3,996	800	2,215	1,630	—
Net cash (used in)/generated from investing activities	(16,020)	44,462	(27,166)	(18,816)	(26,901)

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Financing activities					
Dividends paid	(30,600)	(97,911)	(50,148)	(20,088)	(23,136)
Capital injection	—	74,000	66,000	66,000	—
Deemed distribution to the then equity holders upon the Reorganisation	—	—	(74,700)	(74,700)	—
Proceeds from loans from shareholder	—	—	74,700	74,700	—
Cash paid relating to other financing activities	—	—	(1,815)	(421)	(267)
Net cash (used in)/generate from financing activities	(30,600)	(23,911)	14,037	45,491	(23,403)
Net increase in cash and cash equivalents	4,472	56,853	56,514	32,351	6,175
Cash and cash equivalents at beginning of year/period	38,689	43,161	100,094	100,094	160,597
Effect of movements in exchange rates on cash held	—	80	3,989	2,366	(1,144)
Cash and cash equivalents at end of year/period	43,161	100,094	160,597	134,811	165,628

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

AK Medical Holdings Limited (the "Company") was incorporated in Cayman Islands on 17 July 2015 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation mentioned below. The Company and its subsidiaries (together, "the Group") are principally engaged in design, develop, produce and market orthopedic joint implants and related products.

Prior to the incorporation of the Company, the Group's business were conducted through Beijing AKEC Medical Co., Ltd. ("AK Medical Beijing") and its subsidiary. To rationalize the corporate structure in preparation of the listing of the Company's shares on The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganisation, as detailed in the section headed "History, Reorganisation and Development" in the Prospectus. Upon completion of the Reorganisation, the Company became the holding company of the Group. As AK Medical Beijing was controlled by Mr. Li Zhijiang before and after the Reorganisation and therefore there were no changes in the economic substance of the ownership and the business of the Group. The Reorganisation only involved inserting newly formed entities with no substantive operations as new holding companies of AK Medical Beijing, the former holding company of the Group, during the Relevant Periods. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition with AK Medical Beijing treated as the acquirer for accounting purposes. The Financial Information has been prepared as a continuation of AK Medical Beijing and the assets and liabilities of AK Medical Beijing and its subsidiary are recognised and measured at their historical carrying values prior to the Reorganisation. All material intra-group transactions and balances have been eliminated on consolidation in preparing the Historical Financial Information.

As at the date of this report, no audited financial statements have been prepared for the Company, AK Medical Investment Limited ("AK Medical BVI"), Bright AK Limited ("Bright AK HK", formerly known as OrbiMed Asia AK Limited HK) and AK Medical International Limited ("AK Medical HK") and as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

The following list contains details of the company in the Financial Information that is subject to audit during the Relevant Periods and the name of the respective auditors.

Name of company	Financial Period	Statutory auditor
AK Medical Beijing	For the years ended 31 December 2014, 2015 and 2016	立信會計師事務所 (特殊普通合夥)
Beijing XMKS Medical Co., Ltd. (AK Medical XMKS)	For the years ended 31 December 2014, 2015 and 2016	立信會計師事務所 (特殊普通合夥)
ITI Medical Co., Ltd. (AK Medical Changzhou)	For the year ended 31 December 2016	常州德豪會計師事務所

At the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

			Percentage of equity attributable to Company			
Name of company	Place and date of incorporation/ establishment	Registered capital	Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
AK Medical BVI	BVI 21/07/2015	US$50,000	100%	100%	—	Investing holding company
Bright AK HK	Hong Kong 07/07/2015	HK$10,000	100%	—	100%	Investing holding company
AK Medical HK	Hong Kong 28/07/2015	US$1	100%	—	100%	Investing holding company

Name of company	Place and date of incorporation/ establishment	Registered capital	Percentage of equity attributable to Company: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities
AK Medical Beijing* 北京愛康宜誠醫療器材有限公司	The PRC 08/05/2003	RMB100,000,000	100%	—	100%	Design, develop, produce and market orthopedic joint implants and related products
AK Medical XMKS 北京西麥克斯醫療器械有限公司	The PRC 24/07/2007	RMB500,000	100%	—	100%	Sales of orthopedic joint implants products
AK Medical Changzhou 天衍醫療器材有限公司	The PRC 28/03/2016	US$13,200,000	100%	—	100%	Produce and market orthopedic joint implants and related products

*: The English translation of the company names for entities established in the PRC is for reference only.

The official names of the companies established in the PRC are in Chinese.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period ended 30 June 2017. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2017 are set out in Note 28.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, which the functional currency of the Company is United States dollars (US$). The Company's primary subsidiaries were incorporated in the People's Republic of China (the "PRC") and the subsidiaries considered RMB as their functional currency. As the operation of the Group during the Relevant Periods are within the PRC, the Group determined to present these financial statements in RMB, unless otherwise stated.

The Financial Information is prepared on the historical cost basis.

(b) Use of estimates and judgments

The preparation of Financial Information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 2.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h), unless the investment is classified as held for sale).

(d) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below.

The Company did not have any financial assets and financial liabilities at fair value through profit or loss and held-to-maturity investments in the current or comparative accounting periods.

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 2(h)). Interest income from debt securities calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in note 2(p)(ii), respectively. Foreign exchange gains and losses resulting from changes in the amortised cost of debt securities are also recognised in profit or loss.

When the investments are derecognised or impaired (see note 2(h)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised /derecognised on the date the Group commits to purchase / sell the investments or they expire.

(e) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(h)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives are as follows:

– Buildings	Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion
– Leasehold improvements	Over the remaining unexpired term of the lease
– Plant and machinery	3-15 years
– Motor vehicles	4-10 years
– Office equipment and furniture	3-5 years

Both the useful life of assets and its residual value, if any, are reviewed annually.

No depreciation is provided in respect of construction in progress.

(f) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(h)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(h)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Software and others	3-10 years
Patents	10 years
Capitalised development costs	5 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite useful lives as set out above.

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property or is held for development for sale.

(h) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– intangible assets; and

– investments in subsidiary in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

Bills receivable are derecognised if substantially all the risks and rewards of ownership of the bills receivable are transferred. If substantially all the risks and rewards of ownership of bills receivable are retained, the bills receivable are continued to be recognised in the statement of financial position.

(k) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(m) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labor rules and regulations in the PRC are recognised as expenses in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

All deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue represented the sales value of goods sold less rebates, returns, discounts and value added tax ("VAT").

Loyalty programme

Revenue is allocated between the loyalty programme and the other components of the sale. The amount allocated to the loyalty programme is deferred, and is recognised as revenue when the Group has fulfilled its obligations to supply the discounted products under the terms of the programme or then it is no longer probable that the sales rebate granted under the programme will be redeemed.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants relating to assets are included in non-current liabilities as deferred income and are credited in the profit and loss on a straight-line basis over the expected useful lives of the related assets. A non-monetary government grant is recorded at a nominal amount.

(q) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(r) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

a. has control or joint control over the Group;

b. has significant influence over the Group; or

c. is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

a. The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

b. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

c. Both entities are joint ventures of the same third party.

d. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

e. The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

f. The entity is controlled or jointly controlled by a person identified in note 2(r)(i).

g. A person identified in note 2(r)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

h. The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(s) Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the Financial Information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The significant accounting policies are set out in note 2. Other key sources of estimation uncertainty in the preparation of the Financial Information are as follows:

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews at the end of each reporting period the estimated useful lives of an asset and its residual value, if any, based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(b) Impairment of trade and other receivables

The Group evaluates whether there is any objective evidence that trade and other receivables are impaired, and estimates allowances for doubtful debts as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade and other receivables balance, credit-worthiness of the customer and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of a similar nature. These estimates could change significantly as a result of changes in customer preferences and competitor actions. Management reassesses these estimates at the end of each reporting period.

(d) Income tax

The Group is subject to PRC Enterprise Income Tax, Hong Kong profits tax and Cayman Islands Income Tax. Judgment is required in determining the provision for income tax. There are transactions during the ordinary course of business, for which calculation of the ultimate tax determination is uncertain. Where the final outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Recognition of deferred tax depends on the management's expectation of future taxable profit that will be available. The outcome of their actual utilisation may be different.

(e) Sales return or exchanges

The Group's distribution agreements do not allow product returns or exchanges without the management's consent. However, in practice, the Group has historically accepted certain returns and exchanges by distributors of orthopedic joint implants. The Group believes that sales exchanges would not result in any significant outflow of the Group's resources embodying economic benefits. Based on past experience, the percentage of subsequent returns will be approximately 2% of annual sales. Therefore, the Group has recognised revenue with a corresponding provision against revenue for estimated returns with 2% of annual sales for the Relevant Periods.

4 REVENUE AND SEGMENT INFORMATION

(a) Revenue

The principal activities of the Group are manufacturing and sale of orthopedic joint implants and its complete set of surgical instrument.

The amount of each significant category of revenue recognised during the years is as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Knee replacement implants	45,566	60,567	83,008	35,418	47,417
Hip replacement implants	92,734	132,692	158,871	69,062	94,594
3D-printed products	—	1,060	12,131	3,004	9,777
Third party orthopedic products	9,013	9,149	10,785	5,292	6,893
Others	965	2,696	5,982	2,571	3,836
	148,278	206,164	270,777	115,347	162,517

The Group's customer base is diversified. There was no customer with whom transactions have exceeded 10% of the Group's revenue during the years ended 31 December 2014, 2015, 2016 and 6 months ended 30 June 2016 and 2017. Details of concentrations of credit risk arising from major customers are set out in note 25(a).

(b) Segment information

The Group has one reportable segment, which is manufacturing and sale of orthopedic joint implants.

The Group's operations, assets and most of the customers are located in the PRC. Accordingly, no geographic information of revenue, non-current assets and customers is presented.

5 OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Government grant	1,649	685	778	376	563
Others	129	138	15	(8)	1,291
	1,778	823	793	368	1,854

6 PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

(a) Staff costs

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, wages and other benefits	21,251	30,048	38,632	17,179	22,540
Contribution to defined contribution retirement scheme*	1,719	2,127	2,405	1,184	1,408
	22,970	32,175	41,037	18,363	23,948

* Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal governments where the subsidiaries are registered. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the respective local municipal governments to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits other than the annual contributions described above.

(b) Other items

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of inventories*	54,903	72,783	88,826	37,998	53,843
Amortisation of intangible assets	247	449	907	422	588
Depreciation of property, plant and equipment	4,276	4,641	7,865	3,316	5,178
Impairment losses of trade and other receivables	220	456	664	437	2,267
Operating lease charge	2,583	3,124	3,648	1,798	3,335
Auditors' remuneration – Audit services	61	220	184	75	49

* Cost of inventories includes RMB11,305,000, RMB14,261,000, RMB16,912,000, RMB5,932,000 and RMB8,988,000.00 in years ended 31 December 2014, 2015 and 2016 and 6 months ended 30 June 2016 and 2017, respectively, relating to staff costs, depreciation and amortisation expenses and operating lease charges, which are also included in the respective total amounts disclosed separately above.

7 NET FINANCE INCOME

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest income from bank deposits	725	1,211	467	140	532
Investment income from available-for-sale financial assets	1,690	1,123	—	—	—
Foreign currency exchange gain/(loss)	91	660	1,190	848	(54)
	2,506	2,994	1,657	988	478

8 INCOME TAX EXPENSE

(a) Amounts recognised in profit or loss

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current tax expense – the PRC Enterprise Income Tax					
Provision for the year/period	9,498	11,747	15,594	5,969	9,822
Deferred tax					
Origination and reversal of temporary differences	(922)	(703)	2,107	(502)	(1,702)
	8,576	11,044	17,701	5,467	8,120

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

The Group has no assessable profit in Hong Kong during the Relevant Periods and is not subject to any Hong Kong profits tax. Hong Kong profits tax rate during the Relevant Periods is 16.5%. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

In accordance with the Enterprise Income Tax Law ("Income Tax Law") of the PRC, enterprise income tax rate for the Group's PRC subsidiary during the Relevant Periods is 25%. According to the relevant PRC income tax law, the Company's subsidiaries, AK Medical Beijing was certified as a New and High Technology Enterprise in Beijing since 2008, and is entitled to a preferential income tax rate of 15%, which has been applied for each of the Relevant Periods. The current certification of New and High Technology Enterprise held by AK Medical Beijing will be expired on 9 August 2020.

According to the New Tax Law and its implementation rules, dividends receivable by non-PRC resident corporate investors from PRC-residents are subject to withholding tax at 10%, unless reduced by tax treaties or arrangements, for profit earned since 1 January 2008. AK Medical HK and Bright AK HK were established during 2015 and would be subject to PRC dividend withholding tax on dividends receivable from their PRC subsidiaries.

(b) Reconciliation between income tax and accounting profit at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before tax	60,297	75,951	95,027	38,689	58,170
Tax calculated at statutory tax rates applicable to profits in the respective countries	15,074	18,988	23,757	9,672	14,543
Tax effect of:					
Preferential income tax rates applicable to subsidiaries	(5,893)	(7,147)	(8,767)	(3,745)	(5,820)
Expenses not deductible for tax purpose	220	187	92	32	76
Additional deductible allowance for research and development expenses	(825)	(984)	(1,281)	(492)	(679)
PRC dividend withholding tax	–	–	3,900	–	–
Income tax	8,576	11,044	17,701	5,467	8,120

9 DIRECTORS' EMOLUMENTS AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

2014	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Li Zhijiang (chairman)	195	44	12	251
Ms. Zhang Bin	111	5	12	128
Mr. Zhang Chaoyang	195	111	12	318
Ms. Zhao Xiaohong	111	13	12	136
Non-executive director				
Mr. Li Wenming	30	—	—	30
	642	173	48	863

2015	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Li Zhijiang (chairman)	465	240	12	717
Ms. Zhang Bin	171	72	12	255
Mr. Zhang Chaoyang	333	152	12	497
Ms. Zhao Xiaohong	237	97	12	346
Non-executive director				
Mr. Li Wenming	30	—	—	30
	1,236	561	48	1,845

2016	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Li Zhijiang (chairman)	743	—	11	754
Ms. Zhang Bin	244	—	11	255
Mr. Zhang Chaoyang	473	—	11	484
Ms. Zhao Xiaohong	430	66	11	507
Non-executive director				
Mr. Li Wenming	30	—	—	30
	1,920	66	44	2,030

6 months ended 30 June 2016	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Li Zhijiang (chairman)	369	—	6	375
Ms. Zhang Bin	116	—	6	122
Mr. Zhang Chaoyang	232	—	6	238
Ms. Zhao Xiaohong	199	49	6	254
Non-executive director				
Mr. Li Wenming	15	—	—	15
	931	49	24	1,004

6 months ended 30 June 2017	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors				
Mr. Li Zhijiang (chairman)	373	—	6	379
Ms. Zhang Bin	126	—	6	132
Mr. Zhang Chaoyang	241	—	6	247
Ms. Zhao Xiaohong	231	45	6	282
Non-executive director				
Mr. Li Wenming	15	—	—	15
	986	45	24	1,055

(b) Five highest paid individuals

During the year ended 2014, 2015, 2016 and 6 months ended 30 June 2016 and 2017, of the five individuals with the highest emoluments, 2, 3, 3, 3 and 3 are directors whose emoluments are disclosed in note 9(a). The aggregate of the emoluments in respect of the other 3, 2, 2, 2 and 2 individuals respectively, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries and other emoluments	515	574	1,101	402	626
Discretionary bonuses	319	979	1,057	440	535
Retirement scheme contributions	22	11	22	5	10
Total	856	1,564	2,180	847	1,171

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
				(Unaudited)	
HK$					
Nil-1,000,000	3	1	2	2	2
1,000,000-1,500,000	—	1	—	—	—

10 EARNINGS PER SHARE

The calculation of basic earnings per share during the Relevant Periods is based on the profit for the respective year/period and on the assumption that 750,000,000 ordinary shares of the Company had been issued throughout the Relevant Periods comprising 100,000 ordinary shares in issue as at the date of the Prospectus which includes 90,000 ordinary shares and 10,000 preferred shares on an as-converted basis, and 749,900,000 ordinary shares to be issued pursuant to the capitalisation issue as detailed in the section headed "Share Capital" in the Prospectus.

There were no dilutive potential ordinary shares during the Relevant Periods and, therefore, diluted earnings per share are the same as the basic earnings per share.

11 DIVIDENDS

During the years ended 31 December 2014 and 2015, dividends of RMB30,600,000, RMB118,000,000 were declared by AK Medical Beijing to its then shareholders.

During the year ended 31 December 2016 and six months ended 30 June 2017, dividends of RMB30,060,000 and RMB23,136,000 were declared by the Company. All the dividends have been paid by 30 June 2017.

The rate of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of the Financial Information.

The directors consider that the dividend payments made during the Relevant Periods are not indicative of the future dividend policy of the Group.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Motor vehicles	Office equipment and furniture	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
At 1 January 2014	8,374	2,331	29,371	1,304	1,576	—	42,956
Additions	—	945	2,561	979	640	1,074	6,199
Disposals	—	—	—	—	(42)	—	(42)
At 31 December 2014 and 1 January 2015	8,374	3,276	31,932	2,283	2,174	1,074	49,113
Additions	—	1,259	16,530	527	626	6,521	25,463
Transfer	—	—	—	—	—	(1,074)	(1,074)
Disposals	—	—	—	(438)	(178)	—	(616)
At 31 December 2015 and 1 January 2016	8,374	4,535	48,462	2,372	2,622	6,521	72,886
Additions	—	4,228	19,935	54	418	4,268	28,903
Transfer	766	—	5,849	—	—	(6,615)	—
Disposals	—	—	(187)	—	(59)	—	(246)
At 31 December 2016 and 1 January 2017	9,140	8,763	74,059	2,426	2,981	4,174	101,543
Additions	—	1,895	326	107	170	21,992	24,490
Transfer	—	—	3,641	—	—	(3,793)	(152)
At 30 June 2017	9,140	10,658	78,026	2,533	3,151	22,373	125,881
Accumulated depreciation							
At 1 January 2014	(2,009)	(1,780)	(9,717)	(769)	(1,033)	—	(15,308)
Depreciation	(398)	(455)	(3,018)	(161)	(285)	—	(4,317)
Written back on disposals	—	—	—	—	40	—	40
At 31 December 2014 and 1 January 2015	(2,407)	(2,235)	(12,735)	(930)	(1,278)	—	(19,585)
Depreciation	(398)	(484)	(3,401)	(177)	(452)	—	(4,912)
Written back on disposals	—	—	—	350	169	—	519
At 31 December 2015 and 1 January 2016	(2,805)	(2,719)	(16,136)	(757)	(1,561)	—	(23,978)
Depreciation	(526)	(1,590)	(5,083)	(184)	(536)	—	(7,919)
Written back on disposals	—	—	135	—	56	—	191
At 31 December 2016 and 1 January 2017	(3,331)	(4,309)	(21,084)	(941)	(2,041)	—	(31,706)
Depreciation	(277)	(1,117)	(3,500)	(96)	(267)	—	(5,257)
At 30 June 2017	(3,608)	(5,426)	(24,584)	(1,037)	(2,308)	—	(36,963)
Net book value:							
At 1 January 2014	6,365	551	19,654	535	543	—	27,648
At 31 December 2014 and 1 January 2015	5,967	1,041	19,197	1,353	896	1,074	29,528
At 31 December 2015 and 1 January 2016	5,569	1,816	32,326	1,615	1,061	6,521	48,908
At 31 December 2016 and 1 January 2017	5,809	4,454	52,975	1,485	940	4,174	69,837
At 30 June 2017	5,532	5,232	53,442	1,496	843	22,373	88,918

Included in the building is a property held for own use situated on long-term leasehold land and located in the PRC.

Construction in progress comprises costs incurred on property, plant and equipment not yet completed and prepayment for leasehold land at the end of each reporting period.

13 INTANGIBLE ASSETS

	Software	Patent	Development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 January 2014	603	835	—	1,438
Additions	191	463	758	1,412
Disposals	—	—	—	—
At 31 December 2014 and 1 January 2015	794	1,298	758	2,850
Additions	1,963	1,289	1,336	4,588
At 31 December 2015 and 1 January 2016	2,757	2,587	2,094	7,438
Additions	767	—	771	1,538
Transfer	—	1,470	(1,470)	—
At 31 December 2016 and 1 January 2017	3,524	4,057	1,395	8,976
Additions	477	2,407	112	2,996
Transfer	152	—	—	152
At 30 June 2017	4,153	6,464	1,507	12,124
Accumulated amortisation:				
At 1 January 2014	(404)	(376)	—	(780)
Amortisation	(75)	(175)	—	(250)
At 31 December 2014 and 1 January 2015	(479)	(551)	—	(1,030)
Amortisation	(152)	(309)	—	(461)
At 31 December 2015 and 1 January 2016	(631)	(860)	—	(1,491)
Amortisation	(448)	(466)	—	(914)
At 31 December 2016 and 1 January 2017	(1,079)	(1,326)	—	(2,405)
Amortisation	(268)	(320)	—	(588)
At 30 June 2017	(1,347)	(1,646)	—	(2,993)
Net book value:				
At 1 January 2014	199	459	—	658
At 31 December 2014 and 1 January 2015	315	747	758	1,820
At 31 December 2015 and 1 January 2016	2,126	1,727	2,094	5,947
At 31 December 2016 and 1 January 2017	2,445	2,731	1,395	6,571
At 30 June 2017	2,806	4,818	1,507	9,131

The amortisation charge for the years is included in "General and administrative expenses" and "Research and development expenses" in the consolidated statements of profit or loss and other comprehensive income.

14 INVENTORIES

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	10,269	11,156	12,719	15,868
Work in progress	7,100	14,188	9,361	11,921
Finished goods	17,351	33,056	45,725	57,059
	34,720	58,400	67,805	84,848

15 BILLS AND TRADE RECEIVABLES

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivable	5,073	14,531	14,773	23,590
Trade receivables	19,908	44,719	68,810	70,451
Less: Allowance for doubtful debts	(933)	(1,389)	(2,053)	(4,320)
	18,975	43,330	66,757	66,131

(a) Ageing analysis

As at 31 December 2014, 2015, 2016 and 30 June 2017, the ageing analysis of trade receivables based on the invoice date (or date of revenue recognition, if earlier), is as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Current to 3 months	17,357	40,704	44,798	33,982
3 to 6 months	239	953	10,460	14,994
6 to 12 months	689	1,164	7,020	15,917
Over 12 months	690	509	4,479	1,238
	18,975	43,330	66,757	66,131

The credit terms agreed with customers were normally ranged from 1 month to 6 months from the date of billing. No interest are charged on the trade receivables. Further details on the Group's credit policy are set out in note 25(a).

Bills receivable are bank notes received from customer with expiration dates within 6 months.

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 2(h)(i)).

At 31 December 2014, 2015, 2016 and 30 June 2017, trade debtors of nil, nil, nil and RMB2,309,000 was individually determined to be impaired. The individually impaired receivable related to a customer that was in financial difficulties and management assessed that the receivable may not to be recovered. Consequently specific allowance for doubtful debts of RMB1,399,000 were recognised at 30 June 2017. Except for the individually impaired receivable, the allowances for doubtful debts were made at each reporting dates based on a collective group basis assessment by aging for debts past due.

The movements in the allowance for doubtful debts are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At the beginning of the year/period	713	933	1,389	1,389	2,053
Impairment loss recognised	220	456	664	437	2,267
At the end of the year/period.	933	1,389	2,053	1,826	4,320

(c) Trade receivables that are not impaired

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Current and within 3 months	12,250	25,156	69,655	56,789

16 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	the Group			
	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments to suppliers	3,250	2,018	3,677	3,289
Deposits	1,035	1,002	1,051	1,986
Deferred listing expenses	—	3,117	4,931	5,198
VAT recoverable	—	—	800	1,983
Others	823	1,481	2,066	753
	5,108	7,618	12,525	13,209

	the Company		
	As at 31 December		As at 30 June
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Deferred listing expenses	2,012	2,285	2,285
Amount due from subsidiaries	5,191	173,932	140,426
Others	—	569	—
	7,203	176,786	142,711

The above deposits, prepayments and other receivables do not contain impaired assets.

17 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Note	As at 31 December			As at 30 June
		2014	2015	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000
Wealth management products	24(d)	70,000	—	—	—

Available-for-sale financial assets are wealth management products issued by banks in the PRC with variable interest rate.

18 CASH AND CASH EQUIVALENTS

	the Group			
	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at banks	43,130	100,009	160,542	165,499
Cash on hand	31	85	55	129
	43,161	100,094	160,597	165,628

	the Company		
	As at 31 December		As at 30 June
	2015	2016	2017
	RMB'000	RMB'000	RMB'000
Cash at banks	52,752	5,317	17,189

19 TRADE PAYABLES

As at 31 December 2014, 2015, 2016 and 30 June 2017, the ageing analysis of trade creditors, based on the invoice date, is as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	9,857	26,435	25,502	26,121
3 to 6 months	3,774	2,010	3,436	6,983
6 to 12 months	490	467	4,138	8,888
More than 1 year	570	496	664	1,982
	14,691	29,408	33,740	43,974

All trade payables are expected to be settled within one year.

20 ACCRUALS AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Advances and deposits from customers	4,531	5,560	6,353	14,699
Other tax payables	5,864	21,018	10,497	15,570
Salary and welfare payables	5,184	7,600	8,721	8,900
Dividends payable	–	6,896	—	—
Accrued expenses	738	3,037	2,426	2,922
Others	213	910	3,198	3,785
	16,530	45,021	31,195	45,876

All of the accruals and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current tax in the consolidated statements of financial position represents

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	1,582	2,707	5,875	8,917
Provision for PRC income tax for the year/period	9,498	11,747	15,594	9,822
Tax paid	(8,373)	(8,579)	(12,552)	(7,357)
At the end of the year/period	2,707	5,875	8,917	11,382

(b) Deferred tax assets and liabilities

(i) The components of deferred tax assets recognised in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

Deferred tax arising from:	Deferred revenue	Government grant	Unrealised profit of intra-group transaction	Provisions for sales return	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	2,087	279	137	194	555	3,252
Credited/(charged) to profit or loss (note 8)	165	566	140	71	(20)	922
At 31 December 2014	2,252	845	277	265	535	4,174
At 1 January 2015	2,252	845	277	265	535	4,174
Credited to profit or loss (note 8)	377	54	19	107	146	703
At 31 December 2015	2,629	899	296	372	681	4,877
At 1 January 2016	2,629	899	296	372	681	4,877
Credited to profit or loss (note 8)	659	332	416	117	269	1,793
At 31 December 2016	3,288	1,231	712	489	950	6,670
At 1 January 2017	3,288	1,231	712	489	950	6,670
Credited/(charged) to profit or loss (note 8)	43	(47)	646	115	945	1,702
At 31 December 2017	3,331	1,184	1,358	604	1,895	8,372

(ii) The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	PRC dividend withholding tax
	RMB'000
At 1 January 2014, 31 December 2014, 31 December 2015	–
Charged to profit or loss(note 8)	3,900
At 31 December 2016	3,900
At 1 January 2017	3,900
Charged to profit or loss (note 8)	–
At 30 June 2017	3,900

The above recognised deferred tax assets and liabilities cannot be set off.

(iii) Deferred tax liabilities not recognised

Pursuant to Enterprise Income Tax Law in the PRC and its related regulations, the Group is subject to withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from its PRC subsidiaries in respect of their profits generated and on distribution of statutory surplus reserve upon liquidation. As at 30 June 2017, temporary differences relating to the reserves of the Company's PRC subsidiaries amounted to RMB188,961,000, comprised retained profit of RMB156,342,000 and statutory surplus reserve of RMB32,619,000. Except for dividend of RMB39,000,000 in 2016 proposed by AK Medical Beijing on 28 August 2017, for which deferred tax liability of RMB3,900,000 recognised, no further deferred tax liabilities were recognised as at 30 June 2017 as the Company controls the dividend policy of these subsidiaries and it has been determined that retained profit as at 30 June 2017 of these subsidiaries will not be distributed further in the future, and the Company has no plan to liquidate these subsidiaries in the foreseeable future.

22 DEFERRED REVENUE/INCOME

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Government grant	5,631	5,993	8,208	7,892
Deferred revenue	15,373	18,033	21,922	22,209
	21,004	24,026	30,130	30,101
Non-current	5,631	5,993	8,208	7,892
Current	15,373	18,033	21,922	22,209

Deferred revenue represents sales rebates granted to the customers the right to redeem the rebates through purchase of the Group's products at a discount in the future. The deferred revenue is estimated based on the relative fair value of goods delivered and undelivered, and has taken into account the amount of rebates available to customers that have not been redeemed and the expected forfeiture rate.

23 PROVISIONS

As at 31 December 2014, 2015, 2016 and 30 June 2017, provisions are made for sales return.

	Sales return
	RMB'000
At 1 January 2014	1,296
Additional provisions made	2,330
Provisions utilised	(1,862)
At 31 December 2014	1,764
Additional provisions made	2,229
Provisions utilised	(1,511)
At 31 December 2015	2,482
Additional provisions made	3,270
Provisions utilised	(2,492)
At 31 December 2016	3,260
Additional provisions made	2,414
Provisions utilised	(1,647)
At 30 June 2017	4,027

The provision for sales return relates mainly to sales during the past years. The provision has been estimated based on historical sales return data associated with similar products. The Group expects to settle the majority of the liability over the next year.

24 CAPITAL AND RESERVES

(a) Share capital

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 17 July 2015.

For the purpose of this Financial Information, the share capital in the consolidated statement of financial position as at 31 December 2014 represented the issued share capital of AK Medical Beijing, and as at 31 December 2015 represented the aggregate amount of the issued share capital of AK Medical Beijing and the Company. Upon the completion of the Reorganisation on 29 February 2016, the Company became the holding company of the Group. The share capital as at 31 December 2016 and 30 June 2017 represented the issued share capital of the Company, being 100,000 shares of HK$0.01 each.

(i) On 31 March 2015, the board of directors of AK Medical Beijing approved the transfer of RMB 16,000,000 capital reserve to share capital.

(ii) As part of Reorganisation, OrbiMed Asia Partners II L.P. ("OrbiMed Asia") agreed to subscribe for preferred shares representing 10% of the issued share capital of the Company on a fully converted basis at an aggregate consideration of US$ equivalent of RMB 140,000,000.

Upon full payment of the above mentioned consideration, 10,000 preferred shares of the Company will be allotted to OrbiMed Asia. The preferred shares held by OrbiMed Asia will be automatically converted into ordinary shares with an initial conversion ratio of 1:1 immediately before the completion of the proposed public offering. According to the terms of the agreement, including the special rights granted to OrbiMed Asia in respect of the preferred shares, as detailed in the section headed "History, Reorganisation and Development" in the Prospectus, the preferred shares was treated as equity. Thus, the following consideration payments by OrbiMed Asia are recorded as capital injections:

In October 2015, OrbiMed Asia injected the US$ 2,200,000 (equivalent to RMB14,000,000) through Bright AK HK, a company wholly owned by OrbiMed Asia at that time, into AK Medical Beijing to increase its registered capital in the amount of RMB5,556,000 (with the balance being contributed to the capital reserve of AK Medical Beijing) in order to facilitate the Reorganisation.

In December 2015, OrbiMed Asia continued to injected US$ 9,257,000 (equivalent to RMB 60,000,000) into the Company and the amount was recorded in share premium of the Company.

On 29 February 2016, OrbiMed Asia injected the remaining US$10,100,000 (equivalent to RMB66,000,000) to the Company and all the consideration for preferred share subscription have been paid off by OrbiMed Asia.

(iii) On 19 October 2015, AK Medical HK entered into an equity transfer agreement with the then shareholders of AK Medical Beijing to acquire the 90% of the equity interests in AK Medical Beijing with total consideration of RMB74,700,000. Such consideration had been fully settled by 7 April 2016, and was funded by shareholder's loans advanced by the controlling shareholder Ximalaya Limited.

On 13 April 2016, an amount of RMB74,700,000 of shareholder's loans had been waived by Ximalaya Limited, and capitalised in capital reserve of the Company.

(b) Reserves

(i) Share premium

Share premium represented the difference between the share capital and the amount of the net proceeds received from its shareholders of the Company.

(ii) Capital reserve

Capital reserve comprises contributions by the shareholders at the respective dates and balances arising from transactions with owners in their capacity as the equity owners.

(iii) Statutory reserve

Pursuant to applicable PRC regulations, all PRC subsidiaries of the Group are required to appropriate 10% of their after-tax profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory reserve until such reserve reaches 50% of the registered capital of each relevant PRC subsidiary. The transfer to the statutory surplus reserve must be made before distribution of dividends to shareholders. The statutory reserve can be utilised upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(iv) Exchange reserve

The exchange reserve comprises exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with accounting policies set out in note 2(q).

(c) Reserves of the Company

	Note	Share premium	Capital reserve	Retained profits	Exchange reserve	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 31 December 2015 and 1 January 2016		60,000	—	(2,065)	73	58,008
Total comprehensive income for the year		—	—	(68)	12,589	12,521
Capital injection	24(a)(ii)	66,000	—	—	—	66,000
Waiver of shareholder's loans	24(a)(iii)	—	74,700	—	—	74,700
Dividends declared	11	(30,060)	—	—	—	(30,060)
Balance at 31 December 2016 and 1 January 2017		95,940	74,700	(2,133)	12,662	181,169
Total comprehensive income for the period		—	—	1,477	(3,852)	(2,375)
Dividends declared	11	(23,136)	—	—	—	(23,136)
Balance at 30 June 2017		72,804	74,700	(656)	8,810	155,658

At 31 December 2015, 2016 and 30 June 2017, the aggregate amount of reserves available for distribution to equity shareholders of the Company, as calculated under the Companies Law of the Cayman Islands, was RMB58,008,000, RMB181,169,000 and RMB155,658,000, respectively.

(d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

During the Relevant Periods, the Group did not have any interest-bearing debts.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, trade receivables, bills receivable and other receivables. The directors have a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's cash and cash equivalents and available-for-sale financial assets are held with banks, which have sound reputation.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group normally requires certain customers to pay 30%-100% deposits upfront and the remaining trade receivables are normally due within 1 to 6 months from the date of billing. Commercial customers with past due balances are requested to settle all outstanding balances before any further credit is granted. Balances from hospitals customers are settled within the period set by the hospitals' payment policy, within 3 to 12 months. The Group does not obtain collateral from customers.

All bills receivable as at the end of each reporting period are bank acceptance bills with the aging of less than 6 months.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 4.6%, 3.7%, 4.6% and 5.5% of the total trade receivables was due from the Group's largest customer in 2014, 2015, 2016 and six months ended 30 June 2017, respectively, and 29.2%, 20.9%, 23.7% and 20.9% was due from the five largest customers in 2014, 2015, 2016 and six months ended 30 June 2017 respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial assets in the consolidated statements of financial position. The Group does not provide any other guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables and other receivables are set out in notes 15 and 16.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by management and directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the respective end of the reporting period of our financial liability, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	Contractual undiscounted cash outflow		
	Carrying amount	Total	Within 1 year or on demand
	RMB'000	RMB'000	RMB'000
As at 31 December 2014			
Trade payables	14,691	14,691	14,691
Accruals and other payables	11,999	11,999	11,999
Total	26,690	26,690	26,690

	Contractual undiscounted cash outflow		
	Carrying amount	Total	Within 1 year or on demand
	RMB'000	RMB'000	RMB'000
As at 31 December 2015			
Trade payables	29,408	29,408	29,408
Accruals and other payables	39,461	39,461	39,461
Total	68,869	68,869	68,869

	Contractual undiscounted cash outflow		
	Carrying amount	Total	Within 1 year or on demand
	RMB'000	RMB'000	RMB'000
As at 31 December 2016			
Trade payables	33,740	33,740	33,740
Accruals and other payables	24,842	24,842	24,842
Total	58,582	58,582	58,582

	Contractual undiscounted cash outflow		
	Carrying amount	Total	Within 1 year or on demand
	RMB'000	RMB'000	RMB'000
As at 30 June 2017			
Trade payables	43,974	43,974	43,974
Accruals and other payables	31,177	31,177	31,177
Total	75,151	75,151	75,151

(c) Currency risk

The Group mainly operates in the PRC and is exposed to foreign currency risk, primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e., a currency other than the functional currency of the operations to which the transaction relate. The currencies giving rise to this risk is primarily US$ and EUR.

As at 31 December 2013 and 2014, the Group did not have any significant assets or liabilities dominated other than RMB.

The following table details the Group's major exposure as at 31 December 2015 and 31 December 2016 to currency risk arising from assets and liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	Exposure to foreign currencies (expressed in RMB) As at 31 December 2015			
	HK$	US$	EUR	GBP
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	11	9,624	21	—
Trade receivables	—	—	256	—
Trade payables	—	(1,701)	(1,114)	(1,375)
	11	7,923	(837)	(1,375)

	Exposure to foreign currencies (expressed in RMB) As at 31 December 2016			
	HK$	US$	EUR	GBP
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	62	42,703	21	—
Trade receivables	—	—	256	—
Trade payables	—	(1,701)	(1,114)	(1,375)
	62	41,002	(837)	(1,375)

	Exposure to foreign currencies (expressed in RMB) As at 30 June 2017			
	HK$	US$	EUR	GBP
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	18	21,267	338	—
Trade receivables	—	2,527	—	—
Trade payables	—	—	(734)	(2)
	18	23,794	(396)	(2)

As at 31 December 2015, 31 December 2016 and 30 June 2017, it is estimated that a general increase/decrease of 5% in foreign exchange rates of US$ to RMB, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB337,000, RMB1,743,000 and RMB150,000 respectively.

(d) Fair value measurement

Financial instruments are carried at fair value within a fair value hierarchy that categorises, into three levels, inputs to valuation technique as used to measure the fair value. The three different levels are as follows:

– level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

– level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

– level 3: Unobservable inputs for the asset or liability.

The following table presents the Group's assets that are measured at fair value.

	Fair value at 31 December 2014	Fair value measurements as at 31 December 2014 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Asset:				
Available-for-sale financial assets	70,000	—	70,000	—

No asset is measured at fair value as at 31 December 2015 and 2016, and 30 June 2017.

There were no changes in valuation techniques during the Relevant Periods.

Available-for-sale financial assets are measured at costs which approximate their fair values in the consolidated statements of financial position. The Group benchmarks the costs against fair values of comparable investments as of the end of each reporting period, and categorised all fair value measures of bank financial products as Level 2 of the fair value hierarchy because they are valued using directly or indirectly observable inputs in the market place. The carrying amounts of level 2 instrument for the years ended 31 December 2014 are presented in note 17.

All financial assets are carried at amounts not materially different from their fair value as at 31 December 2014, 2015, 2016 and 30 June 2017.

26 COMMITMENTS

(a) Capital commitments of the Group in respect of construction in progress outstanding as at 31 December 2014, 2015, 2016 and 30 June 2017 not provided for in this Financial Information were as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for	12,861	28,890	3,585	5,500
Authorised but not contracted for . .	380	156,917	154,226	135,774
	13,241	185,807	157,811	141,274

(b) As at 31 December 2014, 2015, 2016 and 30 June 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	861	3,032	3,340	6,604
After 1 year but within 5 years. . . .	474	7,778	7,642	10,962
	1,335	10,810	10,982	17,566

The Group leases a number of warehouses and office premises under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the leases after that date. Lease payments are usually increased every year to reflect market rentals. None of the leases includes contingent rentals.

27 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties:

During the Relevant Periods, transactions with the following parties are considered as related party transaction:

Name of Party	Relationship with the Group
Mr. Li Zhijiang	Executive director, and the ultimate controlling party
Ms. Zhang Bin	Executive director, the spouse of Mr. Li Zhijiang
Mr. Zhang Chaoyang	Executive director
Ms. Zhao Xiaohong	Executive director
Mr. Li Wenming	Non-executive director
Ms. Wang Caimei	Senior management
Mr. Liu Aiguo	Senior management
Mr. Zhang Weiping	Senior management
Ms. Han Yu	Senior management
Mr. Qi Yajun	Senior management
Ms. Qi Zijuan	Senior management
Mr. Sun Yanshi	Senior management
Mr. Wang Zhengmin	Senior management
Ms. Wang Nannan	Senior management
Ximalaya Limited	Controlling shareholder

(b) Transactions with the controlling shareholder

On 19 October 2015, the then shareholders of AK Medical Beijing, Mr. Li Zhijiang, Mr. Zhang Chaoyang, Ms. Zhang Bin, Ms. Li Huijiang, Ms. Zhao Xiaohong, Mr. Qi Yajun, Ms. Wang Caimei, Ms. Liu Aiguo and Mr. Zhang Weiping as transferors entered into an equity transfer agreement with AK Medical HK as transferee, pursuant to which the transferors transferred a total of 90% of the equity interests in AK Medical Beijing to AK Medical HK at the consideration of RMB74,700,000 in total. The aforesaid amount had been settled by 7 April 2016 and was funded by shareholder's loans advanced by Ximalaya to the Company on various dates between 10 March 2016 and 7 April 2016.

On 13 April 2016, Ximalaya executed a deed of waiver in favor of the Company, pursuant to which Ximalaya shall unconditionally and irrevocably waive, release and discharge the repayment of shareholder's loans advanced from Ximalaya to the Company in an aggregate amount of RMB74,700,000 and any claim regarding such repayment.

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries and other emoluments	1,763	3,057	4,782	2,286	2,449
Discretionary bonuses	627	1,948	1,275	653	720
Retirement scheme contributions	111	120	121	62	60
	2,501	5,125	6,178	3,001	3,229

Total remuneration is included in "staff costs" (see note 6(a)).

28 IMMEDIATE AND ULTIMATE CONTROLLING PARTIES

As at 30 June 2017, the directors consider the immediate parent to be Ximalaya Limited and the ultimate controlling parties of the Group to be Mr. Li Zhijiang. Ximalaya Limited is incorporated in British Virgin Islands and does not produce financial statements available for public use.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE RELEVANT PERIODS

Up to date of issue of the Financial Information, the IASB has issued a number of amendments and new standards which are not yet effective for the Relevant Period and which have not been adopted in the Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Annual Improvements to IFRSs 2014-2016 cycle – IFRS 1 First-time Adoption of International Financial Reporting Standards – IAS 28 Investments in Associates and Joint Ventures	1 January 2018
Amendments to IFRS 2, Classification and measurement of share-based payment transactions	1 January 2018
Amendments to IFRS 4, Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts	1 January 2018
Amendments to IAS 40, Transfers of investment property	1 January 2018
IFRS 9, Financial instruments	1 January 2018
IFRS 15, Revenue from contracts with customers	1 January 2018
IFRIC 22, Foreign currency transactions and advance consideration	1 January 2018
IFRS 16, Leases	1 January 2019
IFRIC 23, Uncertainty over income tax treatments	1 January 2019
IFRS 17, Insurance contracts	1 January 2021
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

IFRS 9, *Financial instruments*

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, *Financial instruments: Recognition and measurement*. IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade and other receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, IAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

– ***Sale of goods***

As disclosed in Note 2(p)(i), for the sale of orthopedic joint implants and its complete set of surgical instrument, revenue is currently recognised when the goods are delivered at the customers' premises, which is taken to be the point in time when the customer accepts the goods and the related risks and rewards of ownership.

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods.

The adoption of IFRS 15 is unlikely to have a significant impact on the Group's timing of revenue recognition.

– ***Sales return***

Currently, the Group estimates the level of returns based on past experience and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of IFRS 15 will not materially affect how the Group recognises revenue and cost of sales on sales return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

The Group plans to elect to use the cumulative effect transition method for the adoption of IFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. As allowed by IFRS 15, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018.

The Group is currently performing a detailed assessment of the impact resulting from the application of IFRS 15 and expects to disclose additional quantitative information before it adopts IFRS 15.

IFRS 16, *Leases*

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. During the Relevant Period, all lease contracts are accounted for as operating leases based on the terms of the lease. The Group enters into these leases as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. At 30 June 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB17,566,000 for properties, plant and equipment, the majority of which is payable either between 1 and 5 years after the reporting date or within 1 year. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

The Group is considering whether to adopt IFRS 16 before its effective date of 1 January 2019. However, early adoption of IFRS 16 is only permitted if this is no earlier than the adoption of IFRS 15. It is therefore unlikely that IFRS 16 will be adopted before the effective date of IFRS 15, being 1 January 2018.

The Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases. In addition, the nature of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. Although the Group has not yet decided whether it will use the optional exemptions, considering the amount of the future minimum lease payments for the lease contracts held by the Group as of 30 June 2017 as disclosed above, the Group initially assessed that lease contracts held as of 30 June would not significantly affect the financial position and performance of the Group when adopting IFRS 16 on 1 January 2019.

SUBSEQUENT EVENTS

The following significant event took place subsequent to 30 June 2017:

(a) Dividends appropriation

The Board of Directors of the Company declared dividends of U.S. dollar equivalent to RMB11 million and RMB39 million on 25 August 2017 and 20 October 2017, respectively. Such dividends have been paid as of the date of this report.

(b) Capitalisation issue

Pursuant to the written resolutions of the equity shareholders of the Company passed on 17 November 2017, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 divided into 2,000,000,000 shares, comprising of 1,999,990,000 ordinary shares and 10,000 preferred shares, by the creation of a further 1,962,000,000 ordinary shares.

Conditional upon the conditions set out in note 3(d) of the section headed "Statutory and General Information" in the Prospectus, subject to the receipt of the conversion notice from OrbiMed Asia, the 10,000 preferred shares should be converted into 10,000 ordinary shares and the Directors were authorised to capitalise HK$7,499,000 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 749,900,000 shares for allotment and issue in proportion to holders of shares whose names appear on the register of members of the Company immediately following the conversion and the shares to be allotted and issued should rank pari passu in all respects with the shares in issue.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 June 2017. Save as disclosed in the Financial Information, no dividend or distribution has been declared or made by any companies comprising the Group in respect of any period subsequent to 30 June 2017.

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I in this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I in this prospectus.

(A) UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative statement of our unaudited pro forma consolidated net tangible assets which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 30 June 2017. This statement of unaudited pro forma consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as at 30 June 2017 or at any future dates.

	Consolidated net tangible assets of our Company as at 30 June 2017[(i)]	Estimated net proceeds from the Global Offering[(ii)(iv)]	Unaudited pro forma adjusted consolidated net tangible assets[(v)]	Unaudited pro forma adjusted consolidated net tangible assets per Share[(iii)]	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Base on the Offer Price of HK$1.66 per Share	311,436	292,090	603,526	0.60	0.72
Base on the Offer Price of HK$2.00 per Share	311,436	360,227	671,663	0.67	0.80

Notes:

(i) The consolidated net tangible assets of our Company as at 30 June 2017 is based on the consolidated net assets of our Company of RMB320,567,000 as at 30 June 2017 less intangible asset of RMB9,131,000, extracted from the Accountants' Report as set out in Appendix I in this prospectus.

(ii) The estimated net proceeds from the Global Offering are based on the Offer Shares and the estimated Offer Prices of HK$1.66 and HK$2.00, respectively, being the low-end price and high-end price, after deduction of the underwriting fees and related expenses payable by us of approximately RMB58,087,000 and RMB61,673,000, respectively (excluding approximately RMB21,358,000 listing expenses have been accounted for prior to 30 June 2017) and does not taken into account any Shares that may be issued upon exercise of Over-Allotment Option.

(iii) The unaudited pro forma consolidated net tangible assets per Share is arrived at after adjustments for the estimated net proceeds from the Global Offering payable to our Company as described in note (ii) and on the basis that 1,000,000,000 Shares were in issue assuming that the Global Offering was completed on 30 June 2017 (including Shares in issue (including Series A Preferred Shares on an as-converted basis) as of the Date of this prospectus and those Shares to be issued pursuant to the Global Offering and the Capitalisation Issue) without taking into account of any Shares which may be offered for sale upon exercise of the Over-Allotment Option or any options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme.

(iv) The estimated net proceeds from the Global Offering and the unaudited pro forma consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1 to RMB0.8438, being the exchange rate set by PBOC prevailing on 27 November 2017. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to RMB at that rate or at any other rate.

(v) The unaudited pro forma adjusted consolidated net tangible assets does not take into account a dividend of U.S. dollar equivalent to RMB11.0 million and RMB39.0 million declared on 25 August 2017 and 20 October 2017, respectively. Such dividends had been paid in full before Listing. Had such dividends been taken into account, the unaudited pro forma consolidated net tangible assets per Share would be approximately HK$0.66 (assuming an Offer Price of HK$1.66 per Share) and approximately HK$0.74 (assuming an Offer Price of HK$2.00 per Share), respectively.

(vi) Except for dividends declared in note (v), no adjustment has been made to the unaudited pro forma consolidated net tangible assets to reflect any trading results or other transactions of the Group subsequent to 30 June 2017.

(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

7 December 2017

TO THE DIRECTORS OF AK MEDICAL HOLDING LIMITED

We have completed our assurance engagement to report on the compilation of pro forma financial information of AK Medical Holding Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of consolidated adjusted net tangible assets as at 30 June 2017 and related notes as set out in Part A of Appendix II to the prospectus dated 7 December 2017 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 30 June 2017 as if the Global Offering had taken place at 30 June 2017. As part of this process, information about the Group's financial position as at 30 June 2017 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 17 July 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and its Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 17 November 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

***(vii)* Calls on shares and forfeiture of shares**

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address, by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to

be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not

be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 11 August 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the

Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on July 17, 2015.

We have been registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company on April 5, 2016 and our principal place of business in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. In compliance with the requirements of the Companies Ordinance, Ms. Lo Yee Har Susan and Ms. Li Yan Wing Rita have been appointed as the authorized representatives in Hong Kong for the acceptance of service of process and any notice required to be served on our Company in Hong Kong.

Our Company was incorporated in the Cayman Islands and is subject to Cayman Islands law. Its constitution comprises a memorandum of association and articles of association. A summary of certain relevant parts of its constitution and certain relevant aspects of Cayman Islands Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

(a) Changes in our authorized and issued share capital

(i) As of the date of incorporation of our Company on July 17, 2015, our authorized share capital was HK$380,000 divided into 38,000,000 Shares having a par value of HK$0.01 each.

(ii) On the date of incorporation:

(A) One Share was allotted and issued nil paid to the initial subscriber of our Company, which was subsequently transferred to Ximalaya at nil consideration on the same date;

(B) 9,999 Shares of HK$0.01 each in our Company were allotted and issued nil paid, among which 8,668 Shares were allotted and issued to Ximalaya, 150 Shares were allotted and issued to Summer, 999 Shares were allotted and issued to Suntop and 182 Shares were allotted and issued to Sanbao, respectively.

The aforesaid nil-paid Shares were credited as fully paid at par on February 26, 2016.

(iii) On February 26, 2016, 80,000 Shares of HK$0.01 each were allotted and issued fully paid, among which 69,362 Shares were allotted and issued to Ximalaya, 7,992 Shares were allotted and issued to Suntop, 1,456 Shares were allotted and issued to Sanbao and 1,200 Shares were allotted and issued to Summer at par.

(iv) On February 29, 2016, our authorized share capital, namely HK$380,000 divided into 38,000,000 Shares of HK$0.01 each, was reclassified and re-designated into 37,990,000 Ordinary Shares with par value of HK$0.01 each and 10,000 Series A Preferred Shares with par value of HK$0.01 each pursuant to the resolutions in writing of our Shareholders passed on February 29, 2016. The 90,000 issued Shares held by Ximalaya, Suntop, Sanbao and Summer continued to be classified and designated as Ordinary Shares.

(v) On February 29, 2016, 10,000 Series A Preferred Shares of HK$0.01 each were allotted and issued fully paid to OrbiMed Asia at the consideration of US$ equivalent of RMB126,000,000.

(vi) On November 17, 2017, the authorized share capital of our Company was further increased to HK$20,000,000 by the creation of a further 1,962,000,000 Ordinary Shares pursuant to the resolutions in writing of our Shareholders passed on November 17, 2017.

Immediately after the Capitalization Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-Allotment Option or the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), the authorized share capital of our Company will be HK$20,000,000 divided into 2,000,000,000 Shares, of which 1,000,000,000 Shares will be issued, fully paid or credited as fully paid, and 1,000,000,000 Shares will remain unissued.

Other than pursuant to the exercise of the Over-Allotment Option and any options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, there is no present intention to issue any of the authorized but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Except as disclosed herein and in "—Information about Our Company—3. Resolutions in writing of our Shareholders passed on November 17, 2017" and "—Information about Our Company—4. Group reorganization" in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

(b) Founder shares

Our Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of our Shareholders passed on November 17, 2017

Written resolutions were passed by our Shareholders on November 17, 2017 pursuant to which, among other matters:

(a) our Company approved and adopted the Memorandum conditional upon and with effect from the listing of our Shares on the Stock Exchange on the Listing Date;

(b) our Company approved and adopted the Articles conditional upon and with effect from the listing of our Shares on the Stock Exchange on the Listing Date;

(c) the authorized share capital of our Company was increased from HK$380,000 to HK$20,000,000 divided into 2,000,000,000 Shares, comprising of 1,999,990,000 Ordinary Shares and 10,000 Series A Preferred Shares, by the creation of a further 1,962,000,000 Ordinary Shares;

(d) conditional on (aa) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:

(i) subject to the receipt of the conversion notice from the holder of the Series A Preferred Shares, namely OrbiMed Asia, the conversion of 10,000 Series A Preferred Shares registered in the name of OrbiMed Asia into 10,000 Ordinary Shares (the "**Conversion**") be and is hereby authorized and approved, and immediately following the Conversion, the unissued but authorized 10,000 Series A Preferred Shares be and are hereby redesignated and reclassified as 10,000 Ordinary Shares which shall have all the rights pertaining to the Ordinary Shares and rank *pari passu* in all respect with the existing Ordinary Shares in the issued share capital of the Company and the register of members of the Company shall be updated accordingly;

(ii) immediately following the Conversion, the authorized share capital of the Company shall become HK$20,000,000 divided into 2,000,000,000 Ordinary Shares;

(iii) the Global Offering and the Over-Allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-Allotment Option;

(iv) the rules of the Pre-IPO Share Option Scheme, the principal terms of which are set out in "*—Other Information—15. Share Option Schemes—B. Pre-IPO Share Option Scheme*" in this Appendix, were approved and adopted and at our Directors' absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Pre-IPO Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Pre-IPO Share Option Scheme;

(v) the rules of the Share Option Scheme, the principal terms of which are set out in "*—Other Information—15. Share Option Schemes—A. Share Option Scheme*" in this Appendix, were approved and adopted and our Directors were authorized to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at our Directors' absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

(vi) conditional on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorized to capitalize HK$7,499,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 749,900,000 Shares for allotment and issue to holders of Shares whose names appear on the register of members of our Company immediately following the Conversion in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing holdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution should rank pari passu in all respects with the then existing issued Shares and our Directors were authorized to give effect to such capitalization;

(vii) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or pursuant to the exercise of any options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme, or under the Global Offering or the Capitalization Issue or pursuant to the exercise of the Over-Allotment Option, an aggregate number of Shares not exceeding 20% of the aggregate number of Shares in issue immediately following completion of the Capitalization Issue and the Global Offering (but excluding any Shares which may be allotted and issued upon exercise of the Over-Allotment Option and the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting, or when it is varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;

(viii) a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors to exercise all powers of our Company to purchase or repurchase Shares on the Stock Exchange or another stock exchange on which the securities of our Company may be listed and recognized by the SFC and the Stock Exchange for this purpose, with an aggregate number of not exceeding 10% of the number of Shares in issue immediately following completion of the Global Offering and the Capitalization Issue (but excluding any Shares which may be allotted and issued upon exercise of the Over-Allotment Option and the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting, or when it is varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting, whichever occurs first; and

(ix) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (vii) above to include the number of Shares which may be purchased or repurchased pursuant to sub-paragraph (viii) above;

(f) our Company approved the form and substance of each of the service agreements made between our executive Directors and our Company, and the form and substance of each of the appointment letters made between each of our non-executive Directors and independent non-executive Directors with our Company.

4. Group reorganization

The companies comprising our Group underwent a reorganization to rationalize our Group's structure in preparation for the listing of our Shares on the Stock Exchange. For more details regarding the Reorganization, please refer to "*History, Reorganization and Development*" in this prospectus.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant's Report set out in Appendix I to this prospectus.

Except as disclosed in "*History, Reorganization and Development*" in this prospectus, there are no changes in the share capital of each of our Company's subsidiaries within the two years immediately preceding the date of this prospectus.

6. Further information about the establishment of our Chinese subsidiaries

Our Group has interests in the registered capital of various Chinese subsidiaries. A summary of the corporate information of such Chinese subsidiaries as of the Latest Practicable Date is set out as follows:

(a) AK Medical Beijing[(Note)]

Name of the enterprise:	北京愛康宜誠醫療器材有限公司 (Beijing AK Medical Co., Ltd) (formerly known as 北京愛康宜誠醫療器材股份有限公司)
Registered address:	No. 10 Baifuquan Road, Changping District Science and Technology Park, Beijing, China
Date of its establishment:	May 8, 2003
Economic nature:	Wholly foreign-owned enterprise
Registered owners:	AK Medical HK (90%) and Bright AK HK (10%)
Registered capital:	RMB100,000,000
Attributable interest to our Group:	100%
Term of operation:	August 20, 2015 to August 19, 2045

Note: AK Medical Beijing has four branches, namely, Beijing Aikang Yicheng Medical Device Co., Ltd Henan Branch* (北京愛康宜誠醫療器材有限公司河南分公司), Beijing Aikang Yicheng Medical Device Ltd Research and Development Center* (北京愛康宜誠醫療器材有限公司研發中心), Beijing Aikang Yicheng Medical Device Co., Ltd Xi'an Branch* (北京愛康宜誠醫療器材有限公司西安分公司) and Beijing Aikang Yicheng Medical Device Co., Ltd Taiyuan Branch* (北京愛康宜誠醫療器材有限公司太原分公司).

(b) AK Medical XMKS

Name of the enterprise:	北京西麥克斯醫療器械有限公司 (Beijing Ximai Kesi Medical Device Limited*)
Registered address:	Room 02, 2nd Floor, No. 10 Baifuquan Road, Changping District Science and Technology Park, Beijing, China
Date of its establishment:	July 24, 2007
Economic nature:	Limited liability company (wholly owned by corporate)
Registered owner:	AK Medical Beijing
Registered capital:	RMB500,000
Attributable interest to our Group:	100%
Term of operation:	July 24, 2007 to July 23, 2027

(c) AK Medical Changzhou

Name of enterprise:	天衍醫療器材有限公司 (ITI Medical Co. Ltd.*)
Registered address:	Building D2, Taihu West Medical Properties Incubation Park, No. 9 Changyang Road, Taihu West Science, Technology and Properties Park, Changzhou, China
Date of its establishment:	March 28, 2016
Economic nature:	Limited Liability Company (wholly foreign-owned enterprise)
Registered owner:	AK Medical HK
Registered capital:	US$13,200,000
Attributable interest to our Group:	100%
Term of operation:	March 28, 2016 to March 27, 2046

7. Securities repurchase mandate

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

A resolution in writing was passed by our Shareholders on November 17, 2017, pursuant to which a general unconditional mandate (i.e. the Repurchase Mandate) was granted to our Directors authorizing the purchase or repurchase of such number of Shares by our Company on the Stock Exchange or another stock exchange on which the securities of our Company may be listed and recognized by the SFC and the Stock Exchange for this purpose, with an aggregate number of not exceeding 10% of the aggregate number of Shares in issue immediately following completion of the Global Offering and the Capitalization Issue (but excluding any Shares which may be allotted and issued upon exercise of the Over-Allotment Option and the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or upon the expiry of the period within which our Company is required by any applicable law or the Memorandum and Articles of Association to hold its next annual general meeting, or when it is varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting, whichever occurs first (the "**Relevant Period**").

(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association, the Listing Rules, the Cayman Islands Companies Law and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under Cayman Islands laws, any repurchases by our Company may be made out of profits of our Company, or out of sums standing to the credit of the share premium accounts, or out of the proceeds of an issue of new Shares made for the purpose of the repurchase or, if authorized by the Memorandum and Articles of Association and subject to the Cayman Islands Companies Law, out of capital, and, in the case of any premium payable on the repurchase, out of either or both of the profits or from sums standing to the credit of its share premium account or, if authorized by its Memorandum and Articles of Association and subject to the Cayman Islands Companies Law, out of capital.

(c) Reasons for repurchases

Our Directors believe that the ability to repurchase our Shares is in the best interest of our Company and our Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at the time, result in an increase in the net assets and/or earnings per Share. Our Directors have sought the Repurchase Mandate to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by our Directors at the relevant time, having regard to the circumstances then prevailing and such repurchases will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

(d) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles of Association, the Listing Rules, the Cayman Islands Companies Law and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the repurchases under the Repurchase Mandate were to be carried out in full at any time during the Relevant Period, it might have a material adverse impact on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse impact on the working capital and/or the gearing position of our Group which in the opinion of our Directors are from time to time appropriate for our Group.

(e) General

The exercise in full of the Repurchase Mandate, on the basis of 1,000,000,000 Shares in issue immediately after the Global Offering and the Capitalization Issue (but excluding any Shares which may be allotted and issued upon exercise of the Over-Allotment Option and the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), would result in up to 100,000,000 Shares being repurchased by our Company during the Relevant Period.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associate currently intends to sell any Shares to our Company or our subsidiaries. No core connected person of our Company has notified our Company that he/she/it has any present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Memorandum and Articles of Association, the Listing Rules, the Cayman Islands Companies Law and the applicable laws and regulations of the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Code on Takeovers and Mergers (the "**Takeovers Code**"). Our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

No purchase of Shares has been made by our Company within six months prior to the date of the prospectus.

Our Directors shall not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR COMPANY

8. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) the series A preferred share purchase agreement dated December 18, 2015 entered into among our Company, AK Medical BVI, AK Medical HK, AK Medical Beijing, AK Medical XMKS, Li Zhijiang, Ximalaya, Zhang Bin, Zhang Chaoyang, Suntop, Summer, Sanbao and OrbiMed Asia, pursuant to which OrbiMed Asia subscribed for and purchased, and our Company issued and sold to OrbiMed Asia, 10,000 series A preferred shares at an aggregate purchase price of RMB140,000,000;

(b) the letter agreement dated February 26, 2016 entered into among our Company, AK Medical BVI, AK Medical HK, AK Medical Beijing, AK Medical XMKS, Li Zhijiang, Ximalaya, Zhang Bin, Zhang Chaoyang, Suntop, Summer, Sanbao and OrbiMed Asia to amend the series A preferred share purchase agreement dated December 18, 2015;

(c) the Shareholders Agreement dated February 29, 2016 entered into among our Company, AK Medical BVI, AK Medical HK, AK Medical Beijing, AK Medical XMKS, Li Zhijiang, Ximalaya, Zhang Bin, Zhang Chaoyang, Suntop, Summer, Sanbao and OrbiMed Asia, pursuant to which OrbiMed Asia was granted with certain rights by, among others, our Company;

(d) an instrument of transfer and the relevant contract notes both dated February 29, 2016 executed by OrbiMed Asia as transferor and AK Medical BVI as transferee, pursuant to which OrbiMed Asia transferred 100 ordinary shares in Bright AK HK (formerly known as OrbiMed Asia AK Limited) to AK Medical BVI at a consideration of RMB14,000,000;

(e) a deed of waiver dated April 13, 2016 executed by Ximalaya in favour of our Company, pursuant to which Ximalaya irrevocably and unconditionally waived all right and entitlement to the repayment of the shareholder's loan in the aggregate amount of US$11,551,412.12 advanced by Ximalaya to our Company;

(f) the Deed of Non-competition;

(g) the Deed of Indemnity; and

(h) the Hong Kong Underwriting Agreement.

9. Exemption from requirement of a property valuation report

For the purpose of Chapter 5 of the Listing Rules, as no single property interest which formed part of our non-property activities had a carrying amount of 15% or more of our total assets, this prospectus is not required to include any valuation report of our property interests.

Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our Group's assets in land or buildings.

10. Intellectual property rights of our Group

(a) Invention Patent

As of the Latest Practicable Date, we have registered the following invention patents in China which are material to our business:

No.	Patent Name	Patent Certificate No.	Expiry Date	Patentee
1.	Tooth spreader*(Note 1)* (一種牙齒撐開器)	201210001487.6	January 4, 2032	AK Medical Beijing
2.	Portable combined type fixing device for first aid of limb fracture*(Note 1)* (便攜組合式四肢骨折急救固定裝置)	200910231175.2	December 9, 2029	AK Medical Beijing
3.	Jawbone restoration (頜骨修復體)	201210488763.6	November 25, 2032	AK Medical Beijing
4.	Support body in expansion fixing whirlbone (膨脹固定股骨頭內支撐體)	201110161673.1	June 15, 2031	AK Medical Beijing
5.	Fusion prosthesis (融合假體)	201110326485.X	October 23, 2031	AK Medical Beijing
6.	Knee-joint internal and external rotating angle measurer (膝關節內外旋角度測量器)	201310749810.2	December 26, 2033	AK Medical Beijing
7.	Combined shoulder joint implant (組合式肩關節假體)	201310162885.0	May 5, 2033	AK Medical Beijing
8.	Jaw repairing stent (頜骨修復支架)	201310701577.0	December 17, 2033	AK Medical Beijing
9.	Tibia tray fatigue test tool (脛骨托疲勞測試工裝)	201210431366.5	November 1, 2032	AK Medical Beijing
10.	Mark scraper for thigh bone far end (股骨遠端劃線器)	201310749775.4	December 26, 2033	AK Medical Beijing
11.	Bone defect repairing device (骨缺失修復裝置)	201310752826.9	December 30, 2033	AK Medical Beijing
12.	Bone and joint prosthesis platform gasket assembly (骨關節假體平臺墊片組件)	201510268820.3	May 21, 2035	AK Medical Beijing

No.	Patent Name	Patent Certificate No.	Expiry Date	Patentee
13.	Hip joint spacer mold (一種髖關節佔位器模具)	201210239356.1	July 11, 2032	AK Medical Beijing
14.	Knee joint prosthesis (膝關節假體)	201510860651.2	November 29, 2035	AK Medical Beijing
15.	Acetabulum prosthesis (髖臼假體)	201510263241.X	May 20, 2035	AK Medical Beijing
16.	Femoral prosthesis (股骨假體)	201510268796.3	May 21, 2035	AK Medical Beijing
17.	Compound six-in-one bone cutting plate (複合型六合一截骨板)	201510006758.0	August 30, 2035	AK Medical Beijing
18.	Thighbone size measuring device (股骨大小測量器)	201510006759.5	January 6, 2035	AK Medical Beijing
19.	Tibial plateau assembly (脛骨平臺組件)	201510233275.4	May 7, 2035	AK Medical Beijing
20.	Tibial plateau assembly (脛骨平臺組件)	201510233996.5	May 7, 2035	AK Medical Beijing
21.	Patellar prosthesis (髕骨假體)	201510236866.7	May 10, 2035	AK Medical Beijing
22.	Patella prosthesis (髕骨假體)	201510276631.0	May 25, 2035	AK Medical Beijing
23.	Preartis osteotomy device (前髁截骨器)	201510006732.6	January 6, 2035	AK Medical Beijing
24.	Customized compound bone cutter for femoral condyle (定制型股骨髁複合截骨器)	201510006796.6	January 6, 2035	AK Medical Beijing
25.	Combined osteotomy guide (組合式截骨手術導板)	201410846559.6	December 30, 2034	AK Medical Beijing
26.	Bone-cutting guide plate (截骨導板)	201510267290.0	May 21, 2035	AK Medical Beijing
27.	Acetabular cup and artificial hip joint (髖臼杯和人工髖關節)	201510272667.1	May 24, 2035	AK Medical Beijing
28.	Surface treatment method of titanium implant (鈦質種植體的表面處理方法)	201510276624.0	May 25, 2035	AK Medical Beijing
29.	Intramedullary broacher handle (髓腔銼手柄)	201510272408.9	May 24, 2035	AK Medical Beijing
30.	Double-metal prosthesis component (雙金屬假體部件)	201510549958.0	January 6, 2035	AK Medical Beijing
31.	Knee joint prosthesis (膝關節假體)	201510275614.5	May 25, 2035	AK Medical Beijing
32.	Acetabulum prosthesis (髖臼假體)	201510233140.8	May 7, 2035	AK Medical Beijing

Note:

(1) The relevant invention patents were acquired by AK Medical Beijing on June 12, 2014.

As of the Latest Practicable Date, we have applied for the registration of the following invention patents which are material to our business:

No.	Patent Name	Application No.	Application Date	Place of Application	Applicant
1.	Spinous Metal Particle (棘狀金屬顆粒體)	PCT/CN2012/077255	June 20, 2012	International patent application under the PCT *(Note 1)*	AK Medical Beijing
2.	Adjustable self-stabilizing type artificial sacrum prosthesis (可調節自穩型人工骶骨假體)	201510006774.X	January 7, 2015	China	AK Medical Beijing
3.	High-flexion type knee joint prosthesis (一種高屈曲型膝關節假體)	201510022965.5	January 15, 2015	China	AK Medical Beijing
4.	Hip joint prosthesis part (髖關節假體部件)	201610340768.2	May 19, 2016	China	AK Medical Beijing
5.	Low-displacement artificial intervertebral disc (低位移人工椎間盤)	201610336177.8	May 20, 2016	China	AK Medical Beijing
6.	Soft tissue force measuring device (軟組織測力裝置)	201610466475.9	June 23, 2016	China	AK Medical Beijing
7.	Long bone prosthesis (長骨骨幹假體)	201610580624.4	July 21, 2016	China	AK Medical Beijing
8.	Sputtering target, sputtering instrument and prosthetic coating methods (濺射靶、濺射儀和假體塗層方法)	201610639742.8	August 5, 2016	China	AK Medical Beijing
9.	Intervertebral disc prosthesis (椎間盤假體)	201610798612.9	August 31, 2016	China	AK Medical Beijing
10.	Femoral condyle front bone defect filling prosthesis (股骨髁前臉骨缺損填充假體)	201611088518.0	November 30, 2016	China	AK Medical Beijing

No.	Patent Name	Application No.	Application Date	Place of Application	Applicant
11.	Acetabulum filling prosthesis (髖臼填充假體)	201611090016.1	November 30, 2016	China	AK Medical Beijing
12.	Osteotomy guide plate assembly (截骨導板組件)	201611090018.0	November 30, 2016	China	AK Medical Beijing
13.	Shoulder prosthesis connectivity components, orthodontic prosthesis and reverse shoulder joint prosthesis (肩關節假體連接組件、正肩關節假體以及反肩關節假體)	201611259721.X	December 30, 2016	China	AK Medical Beijing
14.	Bone repair material and preparation method thereof (骨修復材料及其製備方法)	201611260563.X	December 30, 2016	China	AK Medical Beijing
15.	Sacrum prosthesis (骶骨修復體)	PCT/CN2016/089486	July 8, 2016	International patent application under the PCT *(Note 1)*	AK Medical Beijing
16.	Lilac bone fusion (髂骨融合體)	PCT/CN2016/089487	July 8, 2016	International patent application under the PCT *(Note 1)*	AK Medical Beijing
17.	Hip bone prosthesis (髖骨修復體)	PCT/CN2016/089488	July 8, 2016	International patent application under the PCT *(Note 1)*	AK Medical Beijing
18.	Acetabular tumor repair and reconstruction system (髖臼腫瘤修復重建系統)	PCT/CN2016/089489	July 8, 2016	International patent application under the PCT *(Note 1)*	AK Medical Beijing
19.	Artificial vertebrae with pedicle (帶椎弓根的人工椎體)	PCT/CN2016/094396	August 10, 2016	International patent application under the PCT *(Note 1)*	AK Medical Beijing

Note:

(1) The application was made under the PCT, which is an international treaty with more than 145 contracting states.

(b) Utility Model Patent

As of the Latest Practicable Date, we have registered the following utility model patents in China which are material to our business:

No.	Patent Name	Patent Certificate No.	Expiry Date	Patentee
1.	Spiked metal particle (棘狀金屬顆粒體)	201120223913.1	June 28, 2021	AK Medical Beijing
2.	Atlas fusion prosthesis (寰椎融合假體)	201120559910.5	December 27, 2021	AK Medical Beijing
3.	Sacrum artificial prosthesis (骶骨人工假體)	201220085287.9	March 7, 2022	AK Medical Beijing
4.	Asymmetric type dental implant (非對稱型牙種植體)	201220227652.5	May 20, 2022	AK Medical Beijing
5.	Adjustable neck of shoulder joint prosthesis (肩關節假體可調頸)	201220341666.X	July 11, 2022	AK Medical Beijing
6.	Self-adjusting bone trabecula artificial intervertebral disk (自調型骨小梁人工椎間盤)	201220751509.6	December 25, 2022	AK Medical Beijing
7.	3D metal bone trabecula interbody fusion cage (3D金屬骨小梁椎間融合器)	201520009146.2	January 6, 2025	AK Medical Beijing
8.	Knee joint prosthesis (膝關節假體)	201520973725.9	November 29, 2025	AK Medical Beijing
9.	Hip joint prosthesis part (髖關節假體部件)	201620468867.4	May 18, 2026	AK Medical Beijing
10.	Soft tissue measuring force device (軟組織測力裝置)	201620634461.9	June 22, 2026	AK Medical Beijing

(c) Design Patent

As of the Latest Practicable Date, we have registered the following design patents in China which are material to our business:

No.	Patent Name	Patent Certificate No.	Expiry Date	Patentee
1.	Intercondylar guide frame (髁間導向架)	201130201197.2	June 29, 2021	AK Medical Beijing
2.	Medical Rinser (醫用沖洗器)	201230652800.3	December 25, 2022	AK Medical Beijing

(d) Trade Mark

As of the Latest Practicable Date, we have registered the following trade marks which are material to our business:

No.	Trademark	Registration No.	Validity Period	Class	Place of Registration	Registered Owner
1.		14853599	July 21, 2015 to July 20, 2025	10(Note 1)	China	AK Medical Beijing
2.	爱康国际	303396286	May 4, 2015 to May 3, 2025	10(Note 1)	Hong Kong	AK Medical Beijing
3.	爱康宜诚	303396312	May 4, 2015 to May 3, 2025	10(Note 1)	Hong Kong	AK Medical Beijing
4.		303396321	May 4, 2015 to May 3, 2025	10(Note 1)	Hong Kong	AK Medical Beijing
5.	爱康医疗	16784034	August 14, 2016 to August 13, 2026	35(Note 2)	China	AK Medical Beijing
6.	爱康宜诚	16784275	June 14, 2016 to June 13, 2026	44(Note 3)	China	AK Medical Beijing
7.	爱康宜诚	16784284	June 14, 2016 to June 13, 2026	10(Note 1)	China	AK Medical Beijing
8.	AKMEDICAL	14847744	July 28, 2015 to July 27, 2025	10(Note 1)	China	AK Medical Beijing
9.	爱康医疗	14847780A	August 7, 2015 to August 6, 2025	10(Note 1)	China	AK Medical Beijing
10.	爱康医疗	16784155	August 21, 2017 to August 20, 2027	42(Note 4)	China	AK Medical Beijing

No.	Trademark	Registration No.	Validity Period	Class	Place of Registration	Registered Owner
11.	AKMEDICAL	303396295	May 4, 2015 to May 3, 2025	10(Note 1)	Hong Kong	AK Medical Beijing

Note:

(1) The specific goods under class 10 in respect of which the trade mark was registered are surgical, medical, dental and veterinary apparatus and instruments; artificial limbs, eyes and teeth; orthopedic articles; suture materials.

(2) The specific goods under class 35 in respect of which the trade mark was registered are advertising; business management; business administration; office functions.

(3) The specific goods under class 44 in respect of which the trade mark was registered are medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry services.

(4) The specific goods under class 42 in respect of which the trade mark was registered are scientific and technological services and research and design relating thereto; industrial analysis and research services; design and development of computer hardware and software.

(e) Domain Name

As of the Latest Practicable Date, we have registered the following domain names which are material to our business:

No.	Domain name	Registrant	Date of Registration	Expiry Date
1.	ak2003.com.cn	AK Medical Beijing	November 26, 2014	November 25, 2019
2.	ak-medical.hk	AK Medical Beijing	June 1, 2015	June 1, 2018
3.	ak-medical.net	AK Medical Beijing	April 30, 2014	April 30, 2018

11. Connected transactions and related party transactions

Except as disclosed in note 27 to the Accountant's Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company has not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

12. Directors

(a) Disclosure of interests of our Directors

(i) Each of Mr. Li, Ms. Zhang Bin, Mr. Zhang Chaoyang, Ms. Zhao Xiaohong and Dr. Wang David Guowei is interested in the Reorganization, the Pre-IPO Investment and the transactions as contemplated under the material contracts as set out in "*—Further Information about the Business of Our Company—8. Summary of material contracts*" in this Appendix.

(ii) Except as disclosed in this prospectus, none of our Directors or their associates were engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) Particulars of Directors' service contracts

Executive Directors

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from 17 November 2017 until terminated by not less than three months' notice in writing served by either party on the other. Each of our executive Directors is entitled to their respective basic salaries set out below.

The current basic annual salaries of our executive Directors payable under their service contracts are as follows:

Name	Approximate annual salary (RMB)
Mr. Li	720,000
Mr. Zhang Chaoyang	456,000
Ms. Zhang Bin	216,000
Ms. Zhao Xiaohong	390,000

Non-executive Directors

Each of our non-executive Directors has been appointed for an initial term of three years commencing from 17 November 2017 until terminated by either party giving not less than three months' written notice to the other. The appointments are subject to the provisions of the Articles with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Mr. Li Wenming, a non-executive Director, is entitled to a director's fee of HK$180,000 per annum and Dr. Wang David Guowei shall not receive any director's fee. Except for the director's fee, each of our non-executive Directors is not expected to receive any other remuneration for holding their office as a non-executive Director.

Independent non-executive Directors

Each of our independent non-executive Directors has been appointed for an initial term of three years commencing from 17 November 2017 until terminated by either party giving not less than three months' written notice to the other. The appointments are subject to the provisions of the Articles with regard to vacation of office of Directors, removal and retirement by rotation of Directors. Each of our independent non-executive Directors is entitled to a director's fee of HK$180,000 per annum. Except for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Except as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by our employer within one year without the payment of compensation (other than statutory compensation).

(c) Directors remuneration

(i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 were approximately RMB863,000, RMB1,845,000, RMB2,030,000 and RMB1,055,000, respectively.

(ii) Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by our Group to and benefits in kind receivable by our Directors (including our non-executive Director and our independent non-executive Directors in their respective capacity as Directors) for the year ending December 31, 2017 are expected to be approximately RMB2,460,000.

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017 (i) as an inducement to join or upon joining our Group or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(iv) There has been no arrangement under which a Director has waived or agreed to any emoluments for the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017.

(d) Interests and/or short positions of Directors in the shares, underlying shares or debentures of our Company and its associated corporations

Immediately after the Capitalization Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-Allotment Option or the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), the interests and/or short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, in each case once our Shares are listed, will be as follows:

(i) our Company

Name of Director	Capacity/nature of interest	Number of Shares[(Note 1)]	Approximate percentage of interest in our Company
Mr. Li[(Note 2)]	Founder of a discretionary trust and interest in a controlled corporation	585,157,500 (L)	58.51575%
	Interest of spouse	10,125,000 (L)	1.01250%

Name of Director	Capacity/nature of interest	Number of Shares[(Note 1)]	Approximate percentage of interest in our Company
Ms. Zhang Bin[(Note 3)]	Interest of controlled corporation	10,125,000 (L)	1.01250%
	Interest of spouse	585,157,500 (L)	58.51575%
Mr. Zhang Chaoyang[(Note 4)]	Interest of controlled corporation	67,432,500 (L)	6.74325%
Ms. Zhao Xiaohong[(Note 5)]	Interest of controlled corporation	12,285,000 (L)	1.22850%
	Beneficial interest	4,000,000 (L)	0.40000%

Notes:

(1) The letter "L" denotes our Directors' long position in our Shares.

(2) Mr. Li, being the sole director of Ximalaya, directly holds 50% of the issued share capital of Ximalaya, which holds 585,157,500 Shares. Therefore, Mr. Li is deemed to be interested in Ximalaya's interest in our Shares pursuant to the SFO. In addition, Mr. Li is the husband of Ms. Zhang Bin. Therefore, Mr. Li is deemed to be interested in Ms. Zhang Bin's interest in our Shares pursuant to the SFO. Mr. Li is also the founder of the Family Trust.

(3) Ms. Zhang Bin, being the sole director of Summer, is the sole shareholder of Summer which holds 10,125,000 Shares. Therefore, Ms. Zhang Bin is deemed to be interested in Summer's interest in our Shares pursuant to the SFO. In addition, Ms. Zhang Bin is the wife of Mr. Li. Therefore, Ms. Zhang Bin is deemed to be interested in Mr. Li's interest in our Shares pursuant to the SFO.

(4) Mr. Zhang Chaoyang, being the sole director of Suntop, is the sole shareholder of Suntop which holds 67,432,500 Shares. Therefore, Mr. Zhang Chaoyang is deemed to be interested in Suntop's interest in our Shares pursuant to the SFO. Mr. Zhang Chaoyang is the brother of Ms. Zhang Bin and the brother-in-law of Mr. Li.

(5) Ms. Zhao Xiaohong, being the sole director of Sanbao, holds 30.22% of the issued share capital of Sanbao, which holds 12,285,000 Shares. Therefore, Ms. Zhao Xiaohong is deemed to be interested in Sanbao's interest in our Shares pursuant to the SFO. In addition, Ms. Zhao has been granted with options to subscribe for 4,000,000 Shares pursuant to the Pre-IPO Share Option Scheme.

(ii) our Company's associated corporation

Name of Director	Name of our Company's associated corporation	Capacity/nature of interest	Number and class of securities[(Note)]	Approximate percentage of interest in our Company's associated corporation
Mr. Li	Ximalaya	Beneficial interest	1 ordinary share (L)	50%

Note:

The letter "L" denotes our Director's long position in the share of our Company's associated corporation.

13. Interest discloseable under the SFO and substantial shareholders

So far as our Directors are aware, immediately after the Capitalization Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-Allotment Option or the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), other than a Director or chief executive of our Company whose interests are disclosed under *"—12. Directors"* above, the following persons will have an interest or a short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Capacity/nature of interest	Number of Shares[(Note 1)]	Approximate percentage of shareholding
Ximalaya	Beneficial owner	585,157,500 (L)	58.51575%
Suntop	Beneficial owner	67,432,500 (L)	6.74325%
Trident Trust[(Note 2)]	Trustee of a discretionary trust and interest in a controlled corporation	585,157,500 (L)	58.51575%
Rainbow Holdings[(Note 2)]	Interest in a controlled corporation	585,157,500 (L)	58.51575%
OrbiMed Advisors II Limited[(Note 3)]	Interest of controlled corporation	75,000,000 (L)	7.50000%
OrbiMed Asia GP II, L.P. [(Note 3)]	Interest of controlled corporation	75,000,000 (L)	7.50000%
OrbiMed Asia[(Note 3)]	Beneficial owner	75,000,000 (L)	7.50000%

Notes:

(1) The letter "L" denotes a person's long position in our Shares.

(2) The Family Trust is a discretionary trust established by Mr. Li as settlor, with Trident Trust acting as trustee. The beneficiaries of the Family Trust are Mr. Li and certain of his family members. Trident Trust holds 100% of the issued share capital of Rainbow Holdings, which holds 50% of the issued share capital of Ximalaya. Therefore, each of Trident Trust and Rainbow Holdings is deemed to be interested in Ximalaya's interest in our Shares pursuant to the SFO.

(3) Assuming all Series A Preferred Shares are converted into Ordinary Shares on a one-for-one basis prior to the Listing pursuant to the terms in the Pre-IPO Investment Shareholders Agreement and the articles of association of the Company in force prior to the adoption of the Articles, OrbiMed Asia shall hold 75,000,000 Ordinary Shares upon completion of the Capitalization Issue and the Global Offering (without taking into account any Share which may be allotted and issued upon exercise of the Over-Allotment Option or the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme). The general partner of OrbiMed Asia is OrbiMed Asia GP II, L.P., whose general partner is OrbiMed Advisors II Limited. Therefore, each of OrbiMed Asia GP II, L.P. and OrbiMed Advisors II Limited is deemed to be interested in OrbiMed Asia's interest in our Shares pursuant to the SFO.

14. Disclaimers

Except as disclosed in this prospectus:

(a) our Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately after the Capitalization Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-Allotment Option or the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme) will have an interest or a short position in our Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(b) none of our Directors has any interest or short position in any of the shares, underlying shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions in which they are taken or is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, in each case once our Shares are listed;

(c) none of our Directors nor any of the parties listed in "*—Other Information—23. Qualifications of experts*" in this Appendix has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;

(d) none of our Directors nor any of the parties listed in "*—Other Information—23. Qualifications of experts*" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group; and

(e) except in connection with the Underwriting Agreements, none of the parties listed in "*—Other Information—23. Qualifications of experts*" in this Appendix:

(i) is interested legally or beneficially in any securities of any member of our Group; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

OTHER INFORMATION

15. Share Option Schemes

A. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of the shareholders of our Company passed on November 17, 2017.

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivating the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and

(ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

Our Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as our Board may determine at an exercise price determined in accordance with paragraph (f) below to the following persons (the "**Eligible Participants**"):

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any Directors (including non-executive Directors and independent non-executive Directors) of our Company or any of its subsidiaries;

(iii) any advisors, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and

(iv) such other persons who, in the sole opinion of our Board, will contribute or have contributed to our Group, the assessment criteria of which are:

(aa) contribution to the development and performance of our Group;

(bb) quality of work performed for our Group;

(cc) initiative and commitment in performing his/her duties; and

(dd) length of service or contribution to our Group.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the document constituting acceptance of the option duly signed by the grantee, together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it must be accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for Shares in respect of which the notice is given.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors of our Company or the approved independent financial advisor as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorized share capital of our Company.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue on the Listing Date, being 100,000,000 Shares (the "**Scheme Limit**"), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of the Shares in issue (the "**New Scheme Limit**") as of the date of the approval by our Shareholders in general meeting; and/or

(ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by our Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time (the "**Maximum Limit**"). No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial advisor shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalization issue, rights issue, sub-division or consolidation of shares or reduction of capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme and any other share option schemes of our Company but subsequently canceled (the "**Canceled Shares**")) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by our Company to our Shareholders containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

(ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (or his associates if such Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which our Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the exercise price of our Shares. Our Board shall forward to such Eligible Participant an offer document in such form as our Board may from time to time determine or, alternatively, documents accompanying the offer document which state, among other things:

(aa) the Eligible Participant's name, address and occupation/position;

(bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;

(cc) the date upon which an offer for an option must be accepted;

(dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);

(ee) the number of Shares in respect of which the option is offered;

(ff) the exercise price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;

(gg) the date of the expiry of the option;

(hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c); and

(ii) such other terms and conditions (including, without limitation, any minimum period for which an option shall be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with the Share Option Scheme and the Listing Rules.

(f) Price of Shares

The exercise price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, except that such price will not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(g) Granting options to connected persons

Any grant of options to a Director, chief executive or substantial shareholder of our Company or any of their respective associates is required to be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates which will result in the number of Shares issued and to be issued upon exercise of options granted and to be

granted (including options exercised, canceled and outstanding) to such person under the Share Option Scheme and any other share option schemes of our Company in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of our Shares in issue; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange at the date of each grant,

such further grant of options will be subject to the approval of our independent non-executive Directors as referred to in this paragraph, the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which at which such proposed grantees, their associates and all core connected persons of our Company shall abstain from voting in favor, and/or such other requirements prescribed under the Listing Rules from time to time.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

(i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant, which must be fixed before our Shareholders' meeting and the date of our Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

(ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to our independent Shareholders as to voting;

(iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of Options

An offer of the grant of an option may not be made after inside information has come to the knowledge of our Company until the information has been announced in accordance with the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of our Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for the approving our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of the results for any year or half-year under the Listing Rules, or quarterly or any other interim period (where our Company has elected to publish them),

and ending on the actual date of publication of the results announcement for such year, half year, quarterly or interim period (as the case may be).

(i) Rights are personal to grantee

An option is personal to the grantee and shall not be transferable or assignable. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do (except that the grantee may nominate a nominee in whose name those Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, except that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the Listing Date. Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of ten years from the Listing Date.

(k) Performance target

A grantee may be required to achieve certain performance targets as our Board may then specify before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment/death

If the grantee of an option ceases to be an Eligible Participant:

(i) by any reason other than death, ill-health, injury, disability or termination of his relationship with our Company and/or any of its subsidiaries on one of more of the grounds specified in paragraph (m) below, the option to the extent not already exercised on the date of such cessation (which date shall be, in relation to a grantee who is an Eligible Participant by reason of his employment with our Group or any related entities, the last actual working day with our Group or the related entity whether salary is paid in lieu of notice or not) shall lapse automatically on the date of cessation; or

(ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of our Board) and none of the events which would be a ground for termination of his relationship with our Group under paragraph (m) has occurred, the grantee or his personal representative(s) may exercise the option within a period of 12 months (or such longer period as our Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the options in full (to the extent not already exercised).

(m) Rights on dismissal

If the grantee of an option ceases to be an Eligible Participant on the grounds that he has been guilty of serious misconduct, or has become insolvent, bankrupt or has made any arrangements or compromises with his creditors generally, or has been convicted of any criminal offense involving his integrity or honesty, his option will lapse and not be exercisable on and after the date of termination of his employment.

(n) Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event that a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two Business Days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate exercise price for Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members and/or creditors summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12:00 noon (Hong Kong time) on the Business Day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full (but only upon the extent not already exercised).

(q) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu in all respects with and shall have the same voting, dividend, transfer and other rights including those arising on liquidation of our Company as attached to the other fully-paid Shares in issue on the date of issue, except that they will not rank for any rights for dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of allotment.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, consolidation, subdivision or reduction of capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the exercise price per Share of each outstanding option as the auditors of our Company or an independent financial advisor shall certify in writing to our Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes. The capacity of the auditors of our Company or the approved independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration provided that no such alteration shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by our Board;

(ii) the expiry of any of the periods referred to in paragraphs (l), (n), (o) or (p);

(iii) the date upon which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;

(iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;

(v) the date upon which the grantee ceases to be an Eligible Participant by reason of such grantee's termination of his relationship on the grounds that he has been guilty of serious misconduct, or has become insolvent, bankrupt or has made arrangements or compromises with his creditors generally, or has been convicted of any criminal offense involving his integrity or honesty. A resolution of our Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date upon which our Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are canceled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board except that:

(i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; or

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted;

shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme must still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) Cancellation of Options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is canceled pursuant to paragraph (i).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or our Board may at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of our Board

The Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (except as otherwise provided therein) shall be final and binding on all parties.

(x) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

(i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

(ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the Sole Bookrunner (for itself and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise;

(iii) passing of the necessary resolutions by our Shareholders to approve and adopt the rules of the Share Option Scheme and to authorize our Board to grant options under the Share Option Scheme and to allot and issue Shares pursuant to exercise of any options; and

(iv) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within six calendar months from the date of approval of the Share Option Scheme by our Shareholders:

(i) the Share Option Scheme shall forthwith determine;

(ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 100,000,000 Shares in total.

B. PRE-IPO SHARE OPTION SCHEME

(a) Introduction

The purpose of the Pre-IPO Share Option Scheme is to recognize the contribution of certain of our employees, executives and officers made or may have made to the growth of our Group and/or the Listing. The principal terms of the Pre-IPO Share Option Scheme were approved and conditionally adopted by resolutions in writing of all our shareholders passed on November 17, 2017 and are substantially the same as the terms of our Share Option Scheme except for the following principal terms:

(i) the exercise price per Share shall not be less than the par value of such Share. Subject to the preceding sentence, the Board shall determine the exercise price at its sole discretion;

(ii) the total number of Shares subject to the Pre-IPO Share Option Scheme is 36,000,000 Shares, representing approximately 3.6% of the issued share capital of our Company immediately after the Capitalization Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-Allotment Option or the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme);

(iii) the eligible participant under the Pre-IPO Share Option Scheme are the full-time employees, executives or officers (including executive, non-executive and independent non-executive Directors) of our Company or the full-time employees of any of the subsidiaries of the level of manager or above and other full-time employees of our Company or any of the subsidiaries who, in the sole opinion of the Board, have contributed or will contribute to our Company and/or any of the subsidiaries;

(iv) the conditions which the Board may in its absolute discretion to consider (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before an option can be exercised) as it may think fit; and

(v) except for the options which have been granted under the Pre-IPO Share Option Scheme, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so will terminate upon the Listing.

HK$1.00 was payable by each grantee as consideration for grant of the options. Except administration costs and expenses, our Company is not required to incur other costs or expenses in respect of the Pre-IPO Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in Shares to be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme.

(b) Outstanding options

As of the date of this prospectus, options to subscribe for an aggregate of 36,000,000 Shares have been conditionally granted by our Company under the Pre-IPO Share Option Scheme. A total of 71 eligible participants have been granted options under the Pre-IPO Share Option Scheme.

Under the Pre-IPO Share Option Scheme, options to subscribe for (i) 4,000,000 Shares were granted to our Director; (ii) 15,600,000 Shares were granted to our senior management; and (iii) 16,400,000 Shares were granted to other employees, respectively.

Below is a list of grantees under the Pre-IPO Share Option Scheme:

No.	Grantee	Position within our Group	Address	Exercise price*(Note 1)*		Number of Shares under the options granted	Percentage of issued share capital of our Company upon Listing*(Note 2)*
				(RMB)	(HK$)		
Directors/Senior Management of our Group							
1.	Zhao Xiaohong (趙曉紅)	Executive Director and chief financial officer of our Company	No.39, Aozhoukangdu, Wangjing North Road, Chaoyang District, Beijing, China.	1.12	1.34	4,000,000	0.40%
2.	Liu Aiguo (劉愛國)	Vice general manager of AK Medical Beijing	Room 204, Unit 1, Building 12, Shuiguanxincun, Changping District, Beijing, China.	1.12	1.34	1,800,000	0.18%
3.	Han Yu (韓鈺)	Joint company secretary of our Company	Room 403, Unit 3, Building 1, No.2 Zhongtao Alley, Dongcheng District, Beijing, China.	1.12	1.34	2,600,000	0.26%
4.	Wang Nannan (王楠楠)	Human resources and administration director of AK Medical Beijing	25-5-302, South Dongguan Village, Changping District, Beijing, China.	1.12	1.34	1,800,000	0.18%
5.	Zhang Weiping (張衛平)	Chief engineer of AK Medical Beijing	9-303, Pan Juyuan, Beiyuan Home, Chaoyang District, Beijing, China.	1.12	1.34	800,000	0.08%
6.	Wang Caimei (王彩梅)	Director of research center of AK Medical Beijing	28-1-201, Area 6 Longjinyuan, Huilongguan, Changping District, Beijing, China.	1.12	1.34	3,000,000	0.30%

No.	Grantee	Position within our Group	Address	Exercise price[Note 1] (RMB)	Exercise price[Note 1] (HK$)	Number of Shares under the options granted	Percentage of issued share capital of our Company upon Listing[Note 2]
7.	Qi Yajun (亓亞軍)	General Manager of the Sales Department of AK Medical Beijing	Room 501, Building 10, Taipingqiao West village, Fengtai District, Beijing, China.	1.12	1.34	1,500,000	0.15%
8.	Qi Zijuan (齊子娟)	General Manager of the Business Development Department of AK Medical Beijing	60-2-206, Hongfuyuan Residential Zone, Changping District, Beijing, China.	1.12	1.34	1,800,000	0.18%
9.	Sun Yanshi (孫彥實)	Director of the operation management department of AK Medical Beijing	3-2-1902, Building 8, Waterfront Street, Qingyuan Road, Chaoyang District, Beijing, China.	1.12	1.34	1,500,000	0.15%
10.	Wang Zhengmin (王政民)	Director and management representative of the quality control centre of AK Medical Beijing	7-2-1001, Chongxingjiayuan, Shijingshan District, Beijing, China.	1.12	1.34	800,000	0.08%
Other employees of our Group							
11.	Ma Shuqin (馬淑芹)	Person-in-charge of technology department of AK Medical Beijing	5-4-202, Area 2, Hexiejiayuan, Huilongguan, Changping District, Beijing, China.	1.12	1.34	200,000	0.02%
12.	Gao Wencai (高文才)	Person-in-charge of the production department of AK Medical Changzhou	Room 617, Unit 3, Tap Water Company Dormitory, No.46 Baifuquan Road, Changping District, Beijing, China.	1.12	1.34	200,000	0.02%
13.	Wang Huixin (王慧鑫)	Director of overseas sales of AK Medical Beijing	Gate 4, No.4 Waiguan West Street, Chaoyang District, Beijing, China.	1.12	1.34	800,000	0.08%
14.	Li Jie (李傑)	Director of 3D reconstruction and major clients of AK Medical Beijing	Room 501, Unit 4, Building 10, Area East 5, Longjinyuan, Huilongguan, Changping District, Beijing, China.	1.12	1.34	800,000	0.08%

No.	Grantee	Position within our Group	Address	Exercise price[Note 1]		Number of Shares under the options granted	Percentage of issued share capital of our Company upon Listing[Note 2]
				(RMB)	(HK$)		
15.	Zhang Shun (張順)	Product manager of AK Medical Beijing	Room 501, Unit 1, Building 3, Area East 4, Longjinyuan, Huilongguan, Changping District, Beijing, China.	1.12	1.34	300,000	0.03%
16.	Xiang Ye (相冶)	Director of sales of AK Medical Beijing	No.3, 2nd Floor, Unit 3, Building 10, Police District, No.10-34, Section 3 Longshanjie Road, Chaoyang, Liaoning Province, China.	1.12	1.34	1,100,000	0.11%
17.	Zhang Wei (張偉)	Director of sales of AK Medical Beijing	24th Floor, Unit 1, Building 16, Section 2 Jinyicheng, Mianfang Road, Zhongyuan District, Zhengzhou, Henan Province, China.	1.12	1.34	1,100,000	0.11%
18.	Li Changchun (李長春)	Clinical project manager of AK Medical Beijing	No.8, Xi Si Bei Wu Tiao, Xicheng District, Beijing, China.	1.12	1.34	800,000	0.08%
19.	Zhang Xi (張溪)	Senior manager of AK Medical XMKS	No.90, Zhonglou Bay, Dongcheng District, Beijing, China.	1.12	1.34	300,000	0.03%
20.	Bu Chaodong (卜朝東)	Project manager of AK Medical Beijing	Room 201, No.298, Qianjiazu, Luoshi South Road, Hongshan District, Wuhan, China.	1.12	1.34	300,000	0.03%
21.	Zhao Meng (趙猛)	District manager of AK Medical Beijing	Room 601, Unit 1, Apartment 3, Tianyangcheng Village, Yanjiao District, Hebei, China.	1.12	1.34	300,000	0.03%
22.	Meng Xiangguo (孟祥國)	District manager of AK Medical Beijing	Room 1202, Celebrity Times Building, East Wuyingshan Road, Tianqiao District, Jinan, China.	1.12	1.34	200,000	0.02%

No.	Grantee	Position within our Group	Address	Exercise price[Note 1]		Number of Shares under the options granted	Percentage of issued share capital of our Company upon Listing[Note 2]
				(RMB)	(HK$)		
23.	Yu Juanjuan (于娟娟)	Provincial manager of AK Medical Beijing	Room 1202, Celebrity Times Building, East Wuyingshan Road, Tianqiao District, Jinan, China.	1.12	1.34	200,000	0.02%
24.	Wei Erchuan (魏二川)	Senior provincial manager of AK Medical Beijing	Building 2, Xinlongjiuxi, Jiancai Road, Chenghua District, Chengdu, China.	1.12	1.34	200,000	0.02%
25.	Wu Qi (吴琪)	District manager of AK Medical Beijing	No. A3, 10th floor, Building 6, Wealth Kungkuan, Baoan District, Shenzhen, China.	1.12	1.34	200,000	0.02%
26.	Zhang Jie (張捷)	Provincial manager of AK Medical Beijing	Building 6, City Gate Street, Zhengzhou, Henan Province, China.	1.12	1.34	200,000	0.02%
27.	Ma Xiao (馬瀟)	Provincial manager of AK Medical Beijing	Unit 2, Building 5, Section 3 Purple Garden, Intersection of Zijingshan Road and East Road, Zhengzhou, China.	1.12	1.34	200,000	0.02%
28.	Zhang Song (章松)	Provincial manager of AK Medical Beijing	Room 1903, Building 4, Yuntoujingyuan, West Road, Xishan District, Kunming, Yunnan Province, China.	1.12	1.34	200,000	0.02%
29.	Zhao Dongdong (趙冬冬)	Senior provincial manager of AK Medical Beijing	Room 3001, Unit 1, Building 4, Area A Yujingmingdu, Intersection of Dongsheng Street and Sitong Road, Erdao District, Changchun, China.	1.12	1.34	200,000	0.02%
30.	Su Yonglin (蘇永琳)	Project team leader of AK Medical Beijing	Room 401, Unit 6, Building 11, Southern District of Qiangxiuyuan, Changping District, Beijing, China.	1.12	1.34	300,000	0.03%

No.	Grantee	Position within our Group	Address	Exercise price[Note 1]		Number of Shares under the options granted	Percentage of issued share capital of our Company upon Listing[Note 2]
				(RMB)	(HK$)		
31.	Li Jian (李健)	Manager of research and development of AK Medical Beijing	Room 402, Unit 1, Building 31, Area 3 Changshengyuan, Changping District, Beijing, China.	1.12	1.34	500,000	0.05%
32.	Li Jiandong (李建東)	Manager of tools engineering division of AK Medical Beijing	2nd Floor, Unit 6, No.3 North Gulou Street, Changping District, Beijing, China.	1.12	1.34	200,000	0.02%
33.	Liu Kunxi (劉昆璽)	Project team leader of AK Medical Beijing	No.168, Xituo Village, Machikou Town, Changping District, Beijing, China.	1.12	1.34	300,000	0.03%
34.	Yang Xiaojie (楊曉傑)	Project team leader of AK Medical Beijing	6A6, Taoyuan Apartment, Beiqijia Town, Changping District, Beijing, China.	1.12	1.34	200,000	0.02%
35.	Yan Hui (閆慧)	Project team leader of AK Medical Beijing	1-1-302, Longxiang Garden, Asian Sports Village, Chaoyang District, Beijing, China.	1.12	1.34	300,000	0.03%
36.	Wang Lihua (王立華)	Director of maxillofacial orthopedic business department of AK Medical Beijing	No.1103, Building 27, South Moshikou Village, Shijingshan District, Beijing, China.	1.12	1.34	800,000	0.08%
37.	Li Zhenhua (李振華)	Sales director of spinal products of AK Medical Beijing	9-509, Jasmine Garden, Beiyuan Jiayuan, Chaoyang District, Beijing, China.	1.12	1.34	500,000	0.05%
38.	Xiao Bo (肖波)	Head of technical department of AK Medical Beijing	Room 602, Unit 3, Building 21, South Dongguan Village, Changping District, Beijing, China.	1.12	1.34	200,000	0.02%
39.	Cai Lixin (蔡立新)	Technical director of maxillofacial orthopedic project of AK Medical Changzhou	No.10, Unit 1, Building 29, South Dongguan Village, Changping District, Beijing, China.	1.12	1.34	300,000	0.03%

No.	Grantee	Position within our Group	Address	Exercise price[Note 1]		Number of Shares under the options granted	Percentage of issued share capital of our Company upon Listing[Note 2]
				(RMB)	(HK$)		
40.	Sun Hongbo (孫洪波)	Director of production of AK Medical Beijing	202, No.17, Area 2 Anhuali, Asian Sports Village, Chaoyang District, Beijing, China.	1.12	1.34	500,000	0.05%
41.	Mao Dongsheng (毛東生)	Production facilities officer of AK Medical Beijing	No.185 Houniufang Village, Xiaotangshan Town, Changping District, Beijing China.	1.12	1.34	100,000	0.01%
42.	Zhao Yuhui (趙芋輝)	Production facilities officer of AK Medical Beijing	No.79, Taiping Street, Yongning Town, Yanqing District, Beijing, China.	1.12	1.34	100,000	0.01%
43.	Shen Yantong (申艷彤)	Person-in-charge of bone-meal production verification project of AK Medical Beijing	No.296, Dongying Village, Xingshou Town, Changping District, Beijing, China.	1.12	1.34	100,000	0.01%
44.	Wang Lei (王蕾)	Quality assurance manager of AK Medical Beijing	Room 605, Unit 1, Building 13, Shanyuan Garden, Baishan Town, Changping District, Beijing, China.	1.12	1.34	100,000	0.01%
45.	Wang Donglin (王東林)	Production merchandising manager of AK Medical Beijing	Room 201, Unit 2, Building 10, Area 1 Changshengyuan, Changping District, Beijing, China.	1.12	1.34	100,000	0.01%
46.	Li Weimin (李衛民)	Foundation and construction team leader for new production facilities of AK Medical Changzhou	Room 401, Unit 1, Building 13, Jianmingli Village, Changping District, Beijing, China.	1.12	1.34	100,000	0.01%
47.	Liu Yanchun (劉彥春)	Technician of AK Medical Beijing	Room 412, Unit 4, No.A2 West Ring Road, Changping District, Beijing, China.	1.12	1.34	100,000	0.01%
48.	Zheng Xueyi (鄭學藝)	Production facilities officer of AK Medical Beijing	No.14, Unit 1, Building 128, Manjing Alley, Five Street, Changping District, Beijing, China.	1.12	1.34	100,000	0.01%

No.	Grantee	Position within our Group	Address	Exercise price[Note 1]		Number of Shares under the options granted	Percentage of issued share capital of our Company upon Listing[Note 2]
				(RMB)	(HK$)		
49.	Wu Xian (武羨)	Senior provincial manager of AK Medical Beijing	2405, Block B, Tonghuamen Tiancai Building, Xincheng District, Xi'an Municipality, Shaanxi, China	1.12	1.34	200,000	0.02%
50.	Zhang Jiefei (張皆非)	Senior provincial manager of AK Medical Beijing	A10, Meihao Yuanjing Estate, North 3rd Road, Zhaogong Street, Tiexi District, Shenyang, China	1.12	1.34	200,000	0.02%
51.	Li Xiaoyong (李小勇)	Provincial manager of AK Medical Beijing	20-3-501, Shengshi Shoufu, Julu County, Xingtai, Hebei, China	1.12	1.34	200,000	0.02%
52.	Xu Yanpeng (許彥鵬)	Provincial manager of AK Medical Beijing	Room 302, Unit 2, Building 4, Coal Technology College Staff Quarter, Cross of Xuefu Street and Wucheng Middle Road, Xiaodian District, Taiyuan, Shanxi, China	1.12	1.34	200,000	0.02%
53.	Wang Wei (王偉)	Provincial manager of AK Medical Beijing	Room 2405, Tonghuamentiancai Building B, Xincheng District, Xi'an Municipality, China	1.12	1.34	200,000	0.02%
54.	Liang Kunsong (梁昆松)	Senior provincial manager of AK Medical Beijing	No.5, Chating North Road, Shiyou Road, Daping, Yuzhong District, Chongqing, China	1.12	1.34	200,000	0.02%
55.	Pang Bo (龐博)	Research and development engineer of AK Medical Beijing	Flat 1102, Unit 1, Building 21, Longshan Huafu, Changping District, Beijing, China	1.12	1.34	200,000	0.02%
56.	Meng Desong (孟德松)	Research and development engineer of AK Medical Beijing	Flat 1102, Unit 1, Building 21, Longshan Huafu, Changping District, Beijing, China	1.12	1.34	200,000	0.02%
57.	Liang Kun (梁堃)	Senior financial manager of AK Medical Beijing	6/F, 504 Pu'an Lane East, Fengtai District, Beijing, China	1.12	1.34	500,000	0.05%

No.	Grantee	Position within our Group	Address	Exercise price[Note 1] (RMB)	Exercise price[Note 1] (HK$)	Number of Shares under the options granted	Percentage of issued share capital of our Company upon Listing[Note 2]
58.	Kang Gaiyan (康改豔)	Costs manager of AK Medical Beijing	501, Unit 4, Building 3, 17 Zhongxing Road, Changping Science and Technology Park, Beijing, China	1.12	1.34	100,000	0.01%
59.	Wang Lixia (王麗霞)	Fees manager of AK Medical Beijing	Flat 902, Unit 2, Building 11, Baiquan Garden, Machikou Town, Changping District, Beijing, China	1.12	1.34	100,000	0.01%
60.	Wei Chongbin (魏崇斌)	Person-in-charge of the fundamental research department of AK Medical Beijing	23-1003, Juzhen Estate, Huilongguan East Avenue, Changping District, Beijing, China	1.12	1.34	200,000	0.02%
61.	Guo Xiaomin (郭曉敏)	Quality control manager of AK Medical Beijing	101, Unit 2, Building 20, Qingxiu Park North, Changping District, Beijing, China	1.12	1.34	100,000	0.01%
62.	Sun Yan (孫妍)	Logistics manager of AK Medical Beijing	No. 102, Baifu Village, Machikou Town, Changping District, Beijing, China	1.12	1.34	100,000	0.01%
63.	Lin Chengcheng (林成程)	Administration manager of AK Medical Beijing	402, Unit 5, Building 5, Hongye Family Hall, Machikou Town, Changping District, Beijing, China	1.12	1.34	100,000	0.01%
64.	Hao Wei (郝偉)	Legal registration manager of AK Medical Beijing	308, Unit 3, Building 2, Caishenmiao Hutong Estate, Third Street, Changping District, Beijing, China	1.12	1.34	100,000	0.01%
65.	Li Li (李麗)	Integrated business manager of AK Medical Beijing	Flat 502, Unit 4, Building 28, Qingyuanxi Lane, Huangcun Town, Daxing District, Beijing, China	1.12	1.34	100,000	0.01%

No.	Grantee	Position within our Group	Address	Exercise price[Note 1]		Number of Shares under the options granted	Percentage of issued share capital of our Company upon Listing[Note 2]
				(RMB)	(HK$)		
66.	Guan Shujing (管淑靜)	Tender manager of AK Medical Beijing	302, Unit 3, North Hall, Beijing Shougang Company Limited No. 1 Line Material Factory, Zhansimen Road, Shahe Town, Changping District, Beijing, China	1.12	1.34	100,000	0.01%
67.	Sang Qiao (桑翹)	Administrative staff of AK Medical Beijing	102, 1/F, Unit 15, Zone 1, Xinjiekou West Lane, Xicheng District, Beijing, China	1.12	1.34	200,000	0.02%
68.	Wang Junshuai (王俊帥)	Person-in-charge of the bone meal project of AK Medical Beijing	301, Unit 1, Building 3, Longxinyuan Estate, 3 Baimiao Road, Chaoyang District, Beijing, China	1.12	1.34	100,000	0.01%
69.	Ma Jun (馬駿)	Assistant to director of AK Medical Beijing	2002, Unit 2, Building 23, Shifang Yuan, Changping District, Beijing, China	1.12	1.34	100,000	0.01%
70.	Liu Min (劉敏)	Research and development engineer of AK Medical Beijing	503, Unit 1, Building 4, Hall 21, Jingke Court, Changping District, Beijing, China	1.12	1.34	100,000	0.01%
71.	Kang Jianjun (康建軍)	Manager of the equipment safety department	No. 196 Hongsi Street, Chengguan Sub-district, Fangshan District, Beijing, China	1.12	1.34	100,000	0.01%
				Total:		36,000,000	3.60%

Notes:

1. The exercise price in RMB is disclosed for illustration purpose only.

2. These percentages are calculated on the basis of 1,000,000,000 Shares in issue immediately following completion of the Global Offering without taking into account any Shares which may be allotted and issued upon exercise of the Over-Allotment Option or the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme.

The percentages of shareholding represent the percentages immediately after the Capitalization Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-Allotment Option and the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme). Except as set out above, no other options have been granted or agreed to be granted by us under the Pre-IPO Share Option Scheme.

Assuming the Over-Allotment Option is not exercised, our shareholding structure before and after the full exercise of all the options granted under the Pre-IPO Share Option Scheme will be as follows:

Shareholders	Shareholding structure immediately after the Capitalization Issue and the Global Offering and before the exercise of the options granted under the Pre-IPO Share Option Scheme		Shareholding structure immediately after the Capitalization Issue and the Global Offering and full exercise of the options granted under the Pre-IPO Share Option Scheme	
	Shares	%	Shares	Approximate %
Ximalaya	585,157,500	58.51575%	585,157,500	56.48%
Summer	10,125,000	1.01250%	10,125,000	0.98%
Suntop	67,432,500	6.74325%	67,432,500	6.51%
Sanbao	12,285,000	1.2285%	12,285,000	1.19%
OrbiMed Asia	75,000,000	7.50000%	75,000,000	7.24%
Grantees under the Pre-IPO Share Option Scheme who are connected persons	—	—	4,000,000	0.39%
Grantees under the Pre-IPO Share Option Scheme who are not connected persons	—	—	32,000,000	3.09%
Other Public Shareholders	250,000,000	25.00000%	250,000,000	24.13%
Total	1,000,000,000	100.00000%	1,036,000,000	100%

We will not permit the exercise of any Pre-IPO Share Option Scheme by any of our connected persons if, upon such exercise, we would not be able to attain the minimum public float requirement of the Stock Exchange.

(c) Valuation of the options granted under the Pre-IPO Share Option Scheme

The valuation of options granted under the Pre-IPO Share Option Scheme was conducted based on the Binomial Model with the following assumptions:

Date of grant	June 30, 2017
Estimated share price at the date of grant	RMB1.09
Exercise price per share	RMB1.12
*Risk free rate throughout option life	3.98% per year
*Expected volatility	44.10% per year
Life of the option	10 years
Expected dividend yield	1.12% per year

The expected suboptimal early exercise multiple for the grantees is assumed to be 2.47 times the exercise price.

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* The assumptions above are based on market data as at June 30, 2017, quoted from Bloomberg.

The result of the Binomial Model can be materially affected by changes in the aforesaid assumptions so an option's actual value may differ from the estimated fair value of the options due to limitations of the Binomial Model.

The fair value per share of option:

Vesting Period (assuming, among other things, that the Vesting Conditions are met in the relevant periods)	Grantees
One year after the date of grant	Approximately RMB0.5103
Two years after the date of grant	Approximately RMB0.5176
Three years after the date of grant	Approximately RMB0.5283
Four years after the date of grant	Approximately RMB0.5389

(d) Effect on the earnings per Share as a result of the Pre-IPO Share Options

The Shares which may be allotted and issued pursuant to the exercise of all the options granted under the Pre-IPO Share Option Scheme which remained outstanding as at the Latest Practicable Date represent approximately 3.6% of the issued share capital of our Company immediately upon completion of the Capitalization Issue and the Global Offering (without taking into account of any share which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or the options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme). If all options granted under the Pre-IPO Share Option Scheme which remained outstanding as at the Latest Practicable Date are exercised and that 1,036,000,000 Shares, comprising 1,000,000,000 Shares to be in issue immediately after the Global Offering and the Capitalization Issue and 36,000,000 Shares to be issued upon the exercise of all the options granted under the Pre-IPO Share Option Scheme which remained outstanding as at the Latest Practicable Date, were deemed to have been in issue, but not taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme, this would have a dilutive effect of approximately 3.47% on the shareholding and the earnings per Share of our Shareholders. No further options will be granted under the Pre-IPO Share Option Scheme after the Listing Date.

(e) Summary of the major terms of the Pre-IPO Share Option Scheme and the offer letter

(i) Purpose

The Pre-IPO Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions that the eligible participants (as described in paragraph (ii) below) have or may have made to our Group. The Pre-IPO Share Option Scheme will provide the eligible participants with an opportunity to have a personal stake in our Company with a view to achieving the following objectives:

(aa) motivating the eligible participants to optimize their performance efficiency for the benefit of our Group; and

(bb) attracting and retaining or otherwise maintaining relationships with the eligible participants whose contributions are or will be beneficial to the long-term growth of our Group.

(ii) Who may join

The Board may, at its discretion, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price set out in paragraph (iv) below to:

(aa) any full-time employees, executives or officers (including executive, non-executive and independent non-executive Directors) of our Company;

(bb) the full-time employees of any of our subsidiaries of the level of manager or above;

(cc) other full-time employees of our Company or any of our subsidiaries who, in the sole opinion of our Board, have contributed or will contribute to our Company and/or any of our subsidiaries.

(iii) Maximum number of Shares

The maximum number of Shares which may be allotted and issued upon exercise of all options granted under the Pre-IPO Share Option Scheme which remained outstanding as at the Latest Practicable Date is 36,000,000 Shares.

(iv) Price of Shares

The exercise price of a Share in respect of any particular option granted under the Pre-IPO Share Option Scheme shall not be less than the nominal value of such Share.

(v) Rights are personal to grantee

An option is personal to the grantee and shall not be transferable or assignable. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt to do so.

(vi) Vesting conditions of options, duration of options and duration of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme shall commence on the Listing Date and end on the tenth anniversary of the Listing Date (both dates inclusive) (the "**Scheme Period**").

The options granted under the Pre-IPO Share Option Scheme shall be valid for a period of ten years commencing on the date upon which such options are granted and accepted in accordance with the rules of the Pre-IPO Share Option Scheme (the "**Option Period**").

The grantees to whom options have been granted under the Pre-IPO Share Option Scheme will be entitled to exercise his/her options in the following manner:

(aa) For the purpose of this paragraph:

"**Vesting Conditions**" means (i) the revenue of our Group as shown in the audited consolidated financial statements of our Group for the relevant financial year represents an increase of 30% or more of the revenue of our Group as shown in the audited consolidated financial statements of our Group for the immediately preceding financial year (adjusted to exclude the effect of any acquisition by our Group); (ii) the profit attributed to shareholders as shown in the audited consolidated financial statements of our Group for the relevant financial year (adjusted to exclude the effect of the Listing expenses, the options granted, any withholding tax arising from profit generated by our Group Companies in the PRC and any acquisition by our Group) represents an increase of 25% or more of the profit attributes to shareholders as shown in the audited consolidated financial statements of our Group for the immediately preceding financial year (adjusted to exclude the effect of the Listing expenses, the options granted any withholding tax arising from profit generated by our Group Companies in the PRC and any acquisition by our Group); and (iii) the relevant grantee has passed the annual performance appraisal scheme established by our Group for the relevant financial year.

(bb) Options granted to the grantees will vest in four portions and the grantees shall be entitled to exercise, on the first business day immediately following May 1 of the relevant year until the end of the Option Period (both days inclusive):

(I) 25% of the total number of options granted when the Vesting Conditions are met for the first time during the Option Period;

(II) 25% of the total number of options granted when the Vesting Conditions are met for the second time during the Option Period;

(III) 25% of the total number of options granted when the Vesting Conditions are met for the third time during the Option Period; and

(IV) 25% of the total number of options granted when the Vesting Conditions are met for the fourth time during the Option Period.

(cc) Any options granted will lapse if the conditions for exercise under paragraph (bb) above have not been met within the Option Period.

(dd) The grantees shall enter into service contracts with our Group for a term no less than four years from the date of grant of the options.

(ee) Our Board has the sole and absolute discretion to amend the relevant vesting conditions of the pre-IPO share options from time to time and the consent from each grantee has to be obtained prior to any amendment in the event that such amendment is prejudicial to such grantee.

(ff) During the Option Period, if the grantee terminates its service contract with our Group under paragraph (dd) above or commits a material breach of any restrictive covenant in respect of our Group that the grantee is subject to (e.g. a non-competition undertaking), (i) to the extent not already exercised, the options granted to such grantee shall lapse automatically and not be exercisable, and (ii) to the extent already exercised, our Company may demand the grantee to return any entitlement or interest obtained from the exercise of the options granted.

(vii) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu in all respects with and shall have the same voting, dividend, transfer and other rights including those arising on liquidation of our Company as attached to the other fully-paid Shares in issue on the date of issue, except that they will not rank for any rights for dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of allotment.

(viii) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, consolidation, subdivision or reduction of capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the exercise price per Share of each outstanding option as the auditors of our Company or an independent financial advisor shall certify in writing to our Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes. The capacity of the auditors of our Company or the approved independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration provided that no such alteration shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(ix) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of (among others):

(aa) the date of expiry of the option as may be determined by the Board;

(bb) the date of commencement of the winding-up of our Company in accordance with the Hong Kong Law;

(cc) the date on which the grantee ceases to be an eligible participant, including the termination of his/her employment (for any reason other than death, ill-health, injury or disability);

(dd) the date on which the grantee ceases to be an eligible participant for reasons of gross negligence, willful misconduct, convicted of a criminal offense or material breach of any restrictive covenant in respect of our Group that the grantee is subject to (e.g. a non-competition undertaking); or

(ee) the date on which the Board shall exercise our right to cancel the option in accordance with paragraph (xi) below.

(x) Alteration of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme may be altered in any respect by resolution of the Board except that any material alteration to the terms and conditions of the Pre-IPO Share Option Scheme or any change to the terms of options granted, shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Pre-IPO Share Option Scheme.

(xi) Cancellation of Options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing.

(xii) Termination of the Pre-IPO Share Option Scheme

Our Company may by resolution in general meeting or our Board may at any time terminate the Pre-IPO Share Option Scheme and in such event the Pre-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme.

(xiii) Administration of the Board

The Pre-IPO Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Pre-IPO Share Option Scheme or its interpretation or effect (except as otherwise provided therein) shall be final and binding on all parties.

(xiv) Disclosure in annual and interim reports

Our Company will disclose details of the Pre-IPO Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

16. Estate duty, tax and other indemnity

Ximalaya, Summer, Mr. Li and Ms. Zhang Bin (the "**Indemnifiers**") have entered into the Deed of Indemnity in favor of our Company (for itself and as trustee for the benefit of each of its subsidiaries) (being the material contract (g) referred to in "*—Further Information about the Business of Our Company—8. Summary of material contracts*" in this Appendix) to provide indemnities on a joint and several basis, in respect of, among other matters:

(a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing Date;

(b) any tax liabilities (including all costs, interests, penalties, charges, fines and expenses incidental or relating to the liability to taxation) on any member of our Group resulting from or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the Listing Date or any transaction, matter, thing, event, act or omission occurring or deemed to occur on or before such date, whether alone or in conjunction with any other transaction, matter, thing, event, act, omission or circumstance whenever occurring, and whether or not such taxation is chargeable against or attributable to any other person, firm or company;

(c) any liability which are suffered by our Group in connection with the incidents of non-compliance with applicable laws and requirements referred to in "*Our Business—Legal Proceedings and Compliance—Non-Compliance Matter*" in this prospectus; and

(d) any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the Reorganization.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any liability:

(a) to the extent that provision or reserve has been made for the relevant taxation or liability in the audited consolidated accounts of our Group or the audited accounts of the relevant member of our Group for an accounting period ended on or before June 30, 2017;

(b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after July 1, 2017 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:

(i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; or

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in this prospectus; or

(c) to the extent that the relevant taxation or liability arises or is incurred as a result of any change in the laws, rules or regulations, or the interpretation or practice thereof by any statutory or government authority in Hong Kong, China or any part of the world, including but without limitation the Hong Kong Inland Revenue Department, having retrospective effect coming into force after the date of the Deed of Indemnity or to the extent that such liability arises or is increased by an increase in rates of taxation, payments, fines, fees or premium as required by Chinese laws and regulations (as the case may be) after the date hereof with retrospective effect (except for the imposition of or an increase in the rate of Hong Kong profits tax or any tax of any part of the world on the profits of companies for the current or any earlier financial period);

(d) to the extent that the relevant taxation or liability is discharged by another person who is not a member of our Group and that no member of our Group is required to reimburse such person in respect of the discharge of the liability; or

(e) to the extent of any provision or reserve made for the relevant taxation or liability in the audited accounts referred to in (a) above which is finally established to be an over-provision or an excessive reserve, in which case the liability of the Indemnifiers in respect of such taxation or liability shall be reduced by an amount not exceeding such provision or reserve provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the liability of the Indemnifiers in respect of the relevant taxation or liability shall not be available in respect of any such liability arising thereafter.

17. Litigation

As of the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Company.

18. Preliminary expenses

The preliminary expenses of our Company were approximately HK$12,480 and were paid by our Company.

19. Promoters

(a) Our Company has no promoter.

(b) Except as disclosed in this prospectus, within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to the promoters named in sub-paragraph (a) above in connection with the Global Offering or the related transactions described in this prospectus.

20. Sole Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

21. Agency fees or commissions received

The Underwriters will receive a commission of 3.5% of the aggregate Offer Price in respect of all the Offer Shares. The Sole Sponsor will also receive an aggregate sponsor fee of US$500,000, which amount shall be deductable from the aforesaid commission, relating to the Global Offering.

22. Application for Listing of Shares

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued upon the exercise of the Over-Allotment Option and any options granted or to be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme.

All necessary arrangements have been made to enable the securities to be admitted into CCASS.

23. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualification
Goldman Sachs (Asia) L.L.C.	Licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Jingtian & Gongcheng	Legal advisor to our Company as to Chinese law
Conyers Dill & Pearman	Legal advisor to our Company as to Cayman Islands law
KPMG	Certified public accountants
Frost & Sullivan	Industry consultant

24. Consents of experts

Each of the Sole Sponsor, Jingtian & Gongcheng, Conyers Dill & Pearman, KPMG and Frost & Sullivan has given and has not withdrawn its written consent to the issue of this prospectus with copies of its reports, valuation, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

25. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

26. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) The Cayman Islands

Under the present Cayman Islands law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty other than in respect of companies that hold an interest in land in the Cayman Islands.

(c) Consultation with professional advisors

Intending holders of Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

27. Miscellaneous

(a) Except as disclosed herein:

(i) within two years preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) our Group does not have any outstanding convertible debt securities or debentures;

(b) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2017 (being the date to which the latest combined financial statements of our Group were made up);

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus; and

(d) there is no arrangement under which future dividends are waived or agreed to be waived.

28. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE, YELLOW** and **GREEN** application forms, the written consents referred to in "Other Information—24. Consents of experts" in Appendix IV to this prospectus, and certified copies of the material contracts referred to in "Further Information about the Business of Our Company—8. Summary of material contracts" in Appendix IV to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Mayer Brown JSM at 18th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong, during normal business hours from 9:00 a.m. up to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum of Association and the Articles of Association;

(b) the Accountants' Report from KPMG in respect of the historical financial information of our Group for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, the text of which is set out in Appendix I to this prospectus;

(c) the report on the unaudited pro forma financial information of our Group from KPMG, the text of which is set out in Appendix II to this prospectus;

(d) the combined audited financial statements of our Group for the years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017;

(e) the Cayman Islands Companies Law;

(f) the letter of advice prepared by Conyers Dill & Pearman, our Cayman legal advisor, summarizing certain aspects of Cayman Islands Companies Law referred to in Appendix III to this prospectus;

(g) the legal opinions prepared by Jingtian & Gongcheng in respect of certain aspects of our Group and summary of Chinese laws and regulations relating to our business;

(h) the material contracts referred to in "Further Information about the Business of Our Company—8. Summary of material contracts" in Appendix IV to this prospectus;

(i) the written consents referred to in "Other Information—24. Consents of experts" in Appendix IV to this prospectus;

(j) the Share Option Scheme and the Pre-IPO Share Option Scheme;

(k) the service contracts referred to in "Further Information about Directors and Shareholders—12. Directors" in Appendix IV to this prospectus; and

(l) the Frost & Sullivan Report.

愛康醫療控股有限公司

AK Medical Holdings Limited