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PW MEDTECH GROUP LIMITED

普华和顺集团公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1358)

DISCLOSEABLE TRANSACTION DEEMED DISPOSAL OF 20% EQUITY INTEREST IN A SUBSIDIARY

THE CAPITAL INCREASE AGREEMENT

On February 27, 2017 (after trading hours), the Subscriber, Tianxinfu, Health Access and PW Medtech (Beijing) entered into the Capital Increase Agreement in relation to the increase in the registered capital of Tianxinfu from RMB45 million to RMB56.25 million by issuing an aggregate of 11,250,000 new shares of Tianxinfu to the Subscriber at a total consideration of RMB500 million.

Immediately prior to the entering into of the Capital Increase Agreement, the Company, through Health Access and PW Medtech (Beijing), holds 100% equity interest of Tianxinfu. Upon completion of the Capital Increase, the shareholding percentage of the Company (through its subsidiaries) in Tianxinfu will decrease from 100% to 80% and Tianxinfu will remain as a subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Deemed Disposal, is more than 5% but less than 25%, the Deemed Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, which is subject to the notification and announcement requirements under the Listing Rules.

BACKGROUND

The Board is pleased to announce that on February 27, 2017 (after trading hours), the Subscriber, Tianxinfu, Health Access and PW Medtech (Beijing) entered into the Capital Increase Agreement in relation to the increase in the registered capital of Tianxinfu from RMB45 million to RMB56.25 million by issuing an aggregate of 11,250,000 new shares of Tianxinfu to the Subscriber at a total consideration of RMB500 million.

As at the date of this announcement, Tianxinfu is 100% owned by two wholly-owned subsidiaries of the Company, i.e. as to 90% by PW Medtech (Beijing) and as to 10% by Health Access. Upon completion of the Capital Increase, Tianxinfu will be owned as to 72% by PW Medtech (Beijing), 20% by the Subscriber and 8% by Health Access, respectively. The Company's interest in Tianxinfu will be diluted from 100% to 80%, resulting in a deemed disposal of 20% equity interest in Tianxinfu by the Company (the "Deemed Disposal").

THE CAPITAL INCREASE AGREEMENT

Date

February 27, 2017

Parties

- (1) the Subscriber;
- (2) Tianxinfu;
- (3) Health Access; and
- (4) PW Medtech (Beijing)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and its ultimate beneficial owner, if any, are third parties independent of the Company and its connected persons.

The Capital Increase

Pursuant to the Capital Increase Agreement, Tianxinfu agrees to issue and the Subscriber agrees to subscribe for an aggregate of 11,250,000 new shares of Tianxinfu at a total consideration of RMB500 million, of which (i) RMB11.25 million will be contributed to the registered capital of Tianxinfu; and (ii) the remaining RMB488.75 million will be contributed to the capital reserve of Tianxinfu.

As at the date of this announcement, Tianxinfu is 100% owned by two wholly-owned subsidiaries of the Company, i.e. as to 90% by PW Medtech (Beijing) and as to 10% by Health Access. Upon completion of the Capital Increase, Tianxinfu will be owned as to 72% by PW Medtech (Beijing), 20% by the Subscriber and 8% by Health Access, respectively. Tianxinfu will remain as a subsidiary of the Company.

Consideration and Completion

The consideration under the Capital Increase Agreement was arrived at after arm's length negotiations among the Parties based on the historical financial position and business performance of Tianxinfu, including without limitation to, the historical revenue and profit of Tianxinfu. The consideration shall be paid by installments in the following manner:

- (1) the first installment shall be 20% of the total consideration, i.e. RMB100 million, and the Subscriber shall make such payment to a bank account designated by Tianxinfu within five business days after the execution of the Capital Increase Agreement; and
- (2) the remaining portion of the consideration, i.e. RMB400 million, shall be settled in full by the Subscriber within ten business days after satisfaction or waiver of all conditions precedent, including but not limited to the completion of SAIC filings related to the Capital Increase Agreement.

In the event that the conditions precedent cannot be fulfilled by Tianxinfu or its existing shareholders or waived by the Subscriber within 60 days of the execution of the Capital Increase Agreement, the Subscriber may terminate the Capital Increase Agreement, demand return of paid capital contribution and claim damages.

In the event that the Subscriber fails to pay the consideration within ten business days after all conditions precedent are fulfilled, Tianxinfu and its existing shareholders may demand full payment of the consideration within a limited period, or terminate the Capital Increase Agreement and claim damages.

Conditions Precedent

Payment of the capital contribution under the Capital Increase Agreement is subject to the fulfillment of certain conditions precedent or written waivers by the Subscriber of such conditions precedent, including without limitation to:

- (1) the representations and warranties made by Tianxinfu and its existing shareholders under the Capital Increase Agreement are true, accurate, complete and not misleading at the closing date;
- (2) the pre-closing undertakings and obligations of Tianxinfu and its existing shareholders under the Capital Increase Agreement are fulfilled and Tianxinfu and its existing shareholders are not in breach of the Capital Increase Agreement;
- (3) Tianxinfu, its subsidiaries and branches and the entities controlled by Tianxinfu (collectively, "**Tianxinfu Group**") comply with all applicable laws and regulations and operate their business within the permitted operation scope as provided in their business licenses and articles of association from the execution date of the Capital Increase Agreement;

- (4) there is no event that may have material adverse effect on the capital structure, assets, legal existence, production and management, permits, product registration, business operation, financial status, business reputation or other important aspects of Tianxinfu Group, including but not limited to any product complaint, litigation, arbitration, tax investigation and punishment or any other investigation or sanction proceedings by governmental authorities; and
- (5) all SAIC filings and MOFCOM filings (if applicable) in relation to the Capital Increase, including increase in registered capital, change of shareholders and amendment of articles of association, have been completed.

REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

Tianxinfu Group is principally engaged in the manufacturing and sale of regenerative medical biomaterial products.

It is expected that the proceeds from the Capital Increase could fund Tianxinfu Group's future development in various areas of regenerative medical biomaterial business and other medical device business, and allow Tianxinfu Group to expand the scale of its business.

The Directors believe that the terms of the Capital Increase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE COMPANY AND THE PARTIES

The Company

The Company was incorporated in the Cayman Islands on May 13, 2011 as an exempted company with limited liability under the laws of the Cayman Islands. The principal business activity of the Company is investment holding. The Group is principally engaged in the development, manufacturing and sale of regenerative medical biomaterial products and advanced infusion set products.

Health Access

Health Access is a company incorporated under the laws of Hong Kong on June 29, 2011 and directly wholly owned by the Company. The principal activity of Health Access is investment holding.

PW Medtech (Beijing)

PW Medtech (Beijing) is a wholly foreign-owned enterprise established under the laws of the PRC on August 10, 2000 and indirectly wholly owned by the Company. The principal activity of PW Medtech (Beijing) is investment holding.

The Subscriber

The Subscriber is a limited partnership established in the PRC on February 17, 2017. The principal activity of the Subscriber is investment in domestic and international capital market with focus on medical device and healthcare sector.

Tianxinfu

Tianxinfu is an indirectly wholly-owned subsidiary of the Company as of the date of this announcement. It was established on January 18, 2002 in the PRC with limited liability and it is primarily engaged in the manufacturing and sale of regenerative medical biomaterial products.

The following table sets forth the financial information attributable to Tianxinfu Group for the two years ended December 31, 2014 and 2015 as extracted from the audited statutory financial statement prepared under PRC GAAP.

	For the year ended December 31,	
	2014	2015
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Profit before taxation	120,240	154,211
Profit after taxation	102,660	131,606
	As of December 31,	
	2014	2015
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Net assets	186,543	45,638
Total assets	228,897	144,219

FINANCIAL EFFECT OF THE CAPITAL INCREASE AND USE OF PROCEEDS

Upon completion of the Capital Increase, the Company's interest in Tianxinfu will be diluted from 100% to 80%, resulting in a deemed disposal of 20% equity interest in Tianxinfu by the Company. Upon completion of the Capital Increase, Tianxinfu will remain a subsidiary of the Company, and its results, assets and liabilities will continue to be consolidated into the consolidated financial statements of the Company. Given the Deemed Disposal does not result in a change of control, it will not recognize any gain or loss in the Company's income statement. After taking into account the unaudited consolidated net asset value of Tianxinfu Group as at December 31, 2016, including the Group's goodwill attributed to the acquisition of Tianxinfu which amounted to approximately RMB373.2 million, and subject to changes, events and the provisions to be made, if any, subsequent to December 31, 2016, the Deemed Disposal as a result of the Capital Increase is estimated to have a surplus of

approximately RMB259.3 million to be recognized in equity and attributed to the owners of the Company in the Company's consolidated financial statements prepared under HKFRS for the corresponding financial period.

The Company intends to use the proceeds from the Capital Increase for (i) general corporate fund purposes, including but not limited to working capital, and (ii) future potential investment opportunities.

LISTING RULES IMPLICATIONS

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings when used herein:

“Board”	the board of directors of the Company
“Capital Increase”	the capital contribution in the amount of RMB500 million to be made by the Subscriber into Tianxinfu pursuant to the Capital Increase Agreement
“Capital Increase Agreement”	a capital increase agreement dated February 27, 2017 entered into among the Subscriber, Tianxinfu, Health Access and PW Medtech (Beijing)
“Company”	PW Medtech Group Limited (普华和顺集团公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on May 13, 2011
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Health Access”	Health Access Limited, a company incorporated under the laws of Hong Kong on June 29, 2011 and directly wholly owned by the Company
“HKFRS”	Hong Kong Financial Reporting Standards

“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部) or any of its branch office
“Parties”	collectively, Tianxinfu, Health Access, PW Medtech (Beijing) and the Subscriber (each, a Party)
“PRC”	The People’s Republic of China, which expression for the purpose of this announcement, except where the context requires otherwise, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC GAAP”	generally accepted accounting principles of the PRC
“PW Medtech (Beijing)”	PW Medtech (Beijing) Limited (普華和順(北京)醫療科技有限公司), a wholly foreign-owned enterprise established under the laws of the PRC on August 10, 2000 and indirectly wholly owned by the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SAIC”	State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政管理總局) or any of its branch office
“Shareholder(s)”	shareholder(s) of the Company
“Subscriber”	Xinyu Yongshuo Management and Consulting LLP* (新餘永碩管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on February 17, 2017
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

“Tianxinfu” Tianxinfu (Beijing) Medical Appliance Co., Ltd.* (天新福(北京)醫療器材股份有限公司) established on January 18, 2002 in the PRC with limited liability and indirectly wholly owned by the Company as at the date of this announcement

“%” per cent

By order of the Board
PW Medtech Group Limited
Yue’e Zhang
Chairman

Hong Kong, February 27, 2017

As at the date of this announcement, the Board comprises two executive Directors, namely, Ms. Yue’e Zhang and Mr. Jiang Liwei; one non-executive Director, namely, Mr. Lin Junshan; and three independent non-executive Directors, namely, Mr. Zhang Xingdong, Mr. Chen Geng and Mr. Wang Xiaogang.

* *For identification purpose only*