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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)

PROPOSED SPIN-OFF AND SEPARATE LISTING OF TIANXINFU (BEIJING) MEDICAL APPLIANCE CO., LTD. ON THE A SHARE STOCK EXCHANGE AND DEEMED DISPOSAL AND MAJOR TRANSACTION

THE PROPOSED SPIN-OFF AND THE PROPOSED A SHARES ISSUANCE

The Company proposes a possible spin-off and separate listing of the Spin-off Company on the A Share Stock Exchange. The Spin-off Company is a subsidiary of the Company which is mainly engaged in the regenerative medical biomaterial business. It is expected that upon completion of the Proposed Spin-off and the Proposed A Shares Issuance, the Company will have an interest of not less than 68% in the Spin-off Company and therefore the Spin-off Company will remain as a non-wholly-owned subsidiary of the Company. The Company has submitted a spin-off proposal to the Stock Exchange pursuant to PN15 and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off. The Stock Exchange has also granted the Company a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under the Proposed Spin-off as required by paragraph 3(f) of PN15.

The Proposed Spin-off and Proposed A Shares Issuance are subject to, among other things, approval by the relevant PRC regulators.

The Proposed Spin-off and the Proposed A Shares Issuance constitute a deemed disposal of equity interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Proposed Spin-off and the Proposed A Shares Issuance exceeds 25% but is less than 75%, the Proposed Spin-off and the Proposed A Shares Issuance would constitute a major transaction under Chapter 14 of the Listing Rules. The Proposed Spin-off and the Proposed A Shares Issuance are therefore subject to, among other things, the approval of the Shareholders under paragraph 3(e)(1) of PN15 and Chapter 14 of the Listing Rules.

As at the date of this announcement, no formal application for the Proposed Spin-off and Proposed A Shares Issuance has been filed with the relevant regulatory authorities in the PRC.

A circular including, among other things, (1) information on the Proposed Spin-off and the Proposed A Shares Issuance; (2) the recommendation of the Independent Board Committee and the advice of the Independent Financial Adviser regarding the Proposed Spin-off; and (3) a notice of the EGM, will be despatched to the Shareholders on or before August 21, 2017, which is more than 15 Business Days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Shareholders and potential investors should note that the Proposed Spin-off and the Proposed A Shares Issuance are subject to, among other things, approvals by the Shareholders and the relevant PRC regulators. There is no assurance that the Proposed Spin-off and the Proposed A Shares Issuance will proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing with the Shares.

INTRODUCTION

The Company proposes a possible spin-off and separate listing of the Spin-off Company on the A Share Stock Exchange. The Spin-off Company is a subsidiary of the Company which is mainly engaged in the regenerative medical biomaterial business. The Company has submitted a spin-off proposal to the Stock Exchange pursuant to PN15 and the Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off. The Stock Exchange has also granted a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under the Proposed Spin-off as required by paragraph 3(f) of PN15.

THE PROPOSED SPIN-OFF AND THE PROPOSED A SHARES ISSUANCE

Subject to approvals by the Shareholders and the relevant PRC regulators, it is currently proposed that the Spin-off Company will issue a certain number of A shares on the A Share Stock Exchange by way of initial public offering to the public in the PRC, or other methods as requested or agreed by the CSRC. Immediately before the Proposed Spin-off and the Proposed A Shares Issuance, the equity interest in the Spin-off Company is held as to 80% by the Company.

It is proposed that the Spin-off Company will offer not more than 63,529,412 new shares (the “**Offer Shares**”), which should represent no less than 10% of the total issued share capital of the Spin-off Company immediately after the completion of the Proposed A Shares Issuance.

The number of the Offer Shares held by the public, in any event, will represent not more than 15% of the total issued share capital of the Spin-off Company as enlarged by the Proposed A Shares Issuance. The actual number of Offer Shares to be offered by the Spin-off Company will be subject to the market conditions and the relevant rules and regulations of the CSRC as amended from time to time. It is expected that immediately after completion of the Proposed Spin-off and the Proposed A Shares Issuance, the Company will have no less than 68% shareholding in the Spin-off Company and therefore the Spin-off Company will remain as a non-wholly-owned subsidiary of the Company.

No formal application for the Proposed Spin-off and the Proposed A Shares Issuance has been filed yet. Despite the large amount of work involved in documentation and financial audit relating to the application for the Proposed Spin-off and the Proposed A Shares Issuance, the management of the Spin-off Company is striving for submitting the application for the Proposed Spin-off and the Proposed A Shares Issuance to the CSRC in or around 2018, at earliest.

The proceeds that the Company intends to raise through the Proposed Spin-off and the Proposed A Shares Issuance would be determined by multiplying the actual number of Offer Shares and the offer price per Offer Share. The offer price per Offer Share will be subject to the PRC domestic market conditions at the time of the Proposed A Shares Issuance and would be determined with reference to the prices quoted by potential investors during the bookbuilding process. Based on the maximum number of Offer Shares and the expected offer price, the Company estimates that the gross proceeds from the Proposed A Shares Issuance would be no more than RMB682.9 million.

It is expected that the proceeds raised from the Proposed A Shares Issuance will be used mainly for the Spin-off Company's future development in various areas of regenerative medical biomaterial business and other medical device business, which would allow the Spin-off Company to expand the scale of its business.

CONDITIONS

Based on the information available to the Directors, the Proposed Spin-off and the Proposed A Shares Issuance will be conditional upon, among other things, the following:

- (a) the approval of the CSRC and the A Share Stock Exchange in relation to the Proposed Spin-off and the Proposed A Shares Issuance;
- (b) approval by the Shareholders of the Proposed Spin-off and the Proposed A Shares Issuance at the EGM; and
- (c) any other PRC regulatory approvals for the listing of and permission in relation to the Proposed Spin-off and the Proposed A Shares Issuance.

If any of the above conditions is not fulfilled, the Proposed Spin-off and the Proposed A Shares Issuance will not proceed. If the Company and the Spin-off Company decide not to proceed with the Proposed Spin-off and the Proposed A Shares Issuance, an announcement will be published by the Company as soon as practicable.

Further, as required under paragraph 3(c) of PN15, the Company will only proceed with the Proposed Spin-off and the Proposed A Shares Issuance if the Remaining Group meets the requirements under paragraph 3(c) of PN15 for the three financial years preceding the completion of the Proposed Spin-off and the Proposed A Shares Issuance.

INFORMATION OF THE GROUP

The Company is an exempted company incorporated under the laws of the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange. The Group is a medical device group with focus on fast-growing and high-margin segments of China's medical device industry. Its current business segments primarily include regenerative medical biomaterials and advanced infusion sets.

INFORMATION OF THE SPIN-OFF COMPANY

The Spin-off Company is a joint stock company established in the PRC and is principally engaged in the regenerative medical biomaterial business, comprising the research, development, manufacturing and sale of regenerative medical biomaterial products. Immediately before the completion of the Proposed Spin-off and the Proposed A Shares Issuance, the equity interest of the Spin-off Company is held as to 80% by the Company. The remaining 20% of the equity interest of the Spin-off Company is held by Xinyu Yongshuo Management and Consulting LLP (新餘永碩管理諮詢合夥企業(有限合夥)).

The following table sets forth the financial information attributable to the Spin-off Group for the two years ended December 31, 2015 and 2016 as extracted from the audited statutory financial statements prepared under PRC Generally Accepted Accounting Principles.

	For the year ended December 31, 2015 (RMB'000)	For the year ended December 31, 2016 (RMB'000)
Revenue	214,794	247,239
Profit before taxation	154,164	178,048
Profit after taxation	131,566	151,380
	As at December 31, 2015 (RMB'000)	As at December 31, 2016 (RMB'000)
Total assets	135,264	126,748
Net assets	46,625	75,004

INFORMATION OF THE REMAINING GROUP

Upon completion of the Proposed Spin-off and the Proposed A Shares Issuance, the Spin-off Company will remain as a non-wholly-owned subsidiary of the Company, and except for the Spin-off Group, the Remaining Group will continue to mainly engage in the infusion set business, comprising research, development, manufacturing and sale of advanced infusion set products.

The Remaining Group primarily operates its infusion set business in the PRC through Beijing Fert Technology Co., Ltd. (北京伏爾特技術有限公司), focusing on infusion therapy and providing a comprehensive product portfolio for infusion therapy.

REASONS FOR AND BENEFITS OF THE PROPOSED SPIN-OFF AND THE PROPOSED A SHARES ISSUANCE

The Directors consider that the Proposed Spin-off and the Proposed A Shares Issuance will be beneficial to both the Group and the Spin-off Group for the following reasons:

- (a) there is a great potential demand for regenerative medical biomaterial in the PRC market in terms of both market size and growth prospect. The Proposed Spin-off and the Proposed A Shares Issuance are expected to promote the reputation and profile of the Spin-off Company in the PRC market and enhance its capabilities to capture and benefit from such market growth;
- (b) the Proposed Spin-off and the Proposed A Shares Issuance are also expected to allow the Spin-off Company to have a clear business focus, which would help further reinforce its leading position in the regenerative medical biomaterial industry with its own integrated capabilities in research and development, manufacturing, sales and services;
- (c) the Proposed Spin-off and the Proposed A Shares Issuance is expected to unlock value for the Shareholders and help identify and establish the fair value of the Company's regenerative medical biomaterial business, in particular, the value represented by the Spin-off Company's state of art technology and know-how in the area of regenerative medical biomaterial;
- (d) the Proposed Spin-off and the Proposed A Shares Issuance would enable the Spin-off Company to have direct access to the domestic capital market, broaden its financing channels and increase its financing capabilities;
- (e) the Proposed Spin-off and the Proposed A Shares Issuance would provide the market with great clarity on the business and financial position of the Spin-off Company and help enhance its own corporate governance;
- (f) the proceeds from the Proposed A Shares Issuance would fund future development in various areas of regenerative medical biomaterial business of the Spin-off Company, and allow it to expand the scale of its business;

- (g) the Proposed A Shares Issuance and the Proposed Spin-off would enable the Spin-off Company to face the investors directly, which would promote its brand awareness; and
- (h) the Proposed A Shares Issuance and the Proposed Spin-off would bring market-oriented valuation to the Spin-off Company. It is expected that the Proposed Spin-off and the Proposed A Shares Issuance would enhance the overall value of the Spin-off Company and the value of shares of the Spin-off Company held by the Company, which would in turn enhance the Company's overall valuation and financing capabilities and create values for the Company and its Shareholders.

Having considered the above, the Directors (including the independent non-executive Directors) are of the view that the Proposed Spin-off and the Proposed A Shares Issuance are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

ASSURED ENTITLEMENT

The Stock Exchange has granted the Company a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under paragraph 3(f) of PN15 (the “**Waiver**”) on the condition that the Company would include in an announcement: (i) the Board's confirmation to the Company that the Proposed Spin-off and the Waiver are fair and reasonable and in the interests of the Company and its Shareholders as a whole; (ii) the reasons for not providing its Shareholders with assured entitlements to the shares in the Spin-off Company under the Proposed Spin-off; and (iii) the legal restriction in providing the assured entitlement.

In accordance with the requirements of the Listing Rules, the Board is required to give due regard to the interests of the existing Shareholders by providing the Shareholders with an assured entitlement to the Offer Shares, if the Proposed A Shares Issuance proceeds. After due and careful consideration of the Proposed A Shares Issuance and having taken into account the advice from the Spin-off Company's PRC legal counsel, the Board has resolved not to provide assured entitlement to the Shareholders under the Proposed A Shares Issuance for the following reasons:

- (a) if the Proposed A Shares Issuance is implemented, the Offer Shares will be offered in the domestic market in the PRC and be listed and traded on the A Share Stock Exchange;
- (b) as advised by the PRC legal counsel of the Spin-off Company, the new shares publicly offered and listed on the A Share Stock Exchange may only be offered to domestic investors in the PRC and Qualified Foreign Institutional Investors (the foreign strategic investors who have complied with the requirements). Accordingly, if any Shareholder does not fulfil the above conditions, they cannot be subscribers under the Proposed A Shares Issuance;
- (c) according to the relevant laws of the PRC, during the issuance of shares by a joint stock company, each share of the same class shall rank *pari passu* and the issuance conditions including the issue price for shares of the same class issued at the same time shall be the same for each share; and

- (d) pursuant to the relevant rules and subscription procedures under the Securities Law of the People's Republic of China and the Administrative Measures on Initial Public Offering and Listing, a listing applicant making public offering is prohibited from making any preferential allocations of offer shares to any specific investors and should treat all investors equally. Therefore, it is impossible for the Spin-off Company to reserve and issue shares for Shareholders in Hong Kong for the purpose of providing assured entitlement pursuant to the existing laws of the PRC.

In addition, based on the information available from the Company's branch share registrar in Hong Kong, none of the Shareholders are reasonably considered as qualified subscribers under the Proposed A Shares Issuance except for those who hold Shares through HKSCC Nominees Limited and it is unduly burdensome and practically difficult for the Company to verify their background information. Even if the Company acquires and verifies all the background information of the beneficial owners holding their Shares through HKSCC Nominees Limited, it is impossible to reserve and issue shares to such Shareholders solely by virtue of holding Shares through HKSCC Nominees Limited pursuant to the existing laws of the PRC.

Having considered the above and the reasons for and benefits of the Proposed Spin-off and the Proposed A Shares Issuance under the section headed "Reasons for and Benefits of the Proposed Spin-off and the Proposed A Shares Issuance", the Board is of the view that the Proposed Spin-off, the Proposed A Shares Issuance and the Waiver are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Proposed Spin-off and the Proposed A Shares Issuance constitute a deemed disposal of the equity interest in a subsidiary of the Company under Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Proposed Spin-off and the Proposed A Shares Issuance exceeds 25% but is less than 75%, the Proposed Spin-off and the Proposed A Shares Issuance, if proceeded, would constitute a major transaction under Chapter 14 of the Listing Rules. The Proposed Spin-off and the Proposed A Shares Issuance are therefore subject to, among other things, the approval of the Shareholders under paragraph 3(e)(1) of PN15 and Chapter 14 of the Listing Rules.

The Independent Board Committee comprising all of the three independent non-executive Directors has been established to advise the Shareholders regarding the Proposed Spin-off. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Shareholders in the same regard.

A circular including among other things, (1) information on the Proposed Spin-off and the Proposed A Shares Issuance; (2) the recommendation of the Independent Board Committee and the advice of the Independent Financial Adviser regarding the Proposed Spin-off; and (3) a notice of the EGM, will be despatched to the Shareholders on or before August 21, 2017, which is more than 15 Business Days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Shareholders and potential investors should note that the Proposed Spin-off and the Proposed A Shares Issuance are subject to, among other things, approvals by the Shareholders and the relevant PRC regulators. There is no assurance that the Proposed Spin-off and the Proposed A Shares Issuance will proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing with the Shares.

DEFINITIONS

The following words and phrases used in this announcement have the same meanings assigned:

“A Share Stock Exchange”	either Shenzhen Stock Exchange or Shanghai Stock Exchange
“Board”	the board of Directors
“Business Day”	means a day on which the Stock Exchange is open for the transaction of business
“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 and except where the context indicated otherwise its subsidiaries
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Proposed Spin-off and the Proposed A Shares Issuance
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising all independent non-executive Directors, namely Mr. Zhang Xingdong, Mr. Chen Geng and Mr. Wang Xiaogang, established to advise the Shareholders in respect of the terms of the Proposed Spin-off
“Independent Financial Adviser”	Somerley Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Shareholders in respect of the Proposed Spin-off
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PN15”	Practice Note 15 of the Listing Rules
“PRC” or “China”	the People’s Republic of China, but for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Proposed A Shares Issuance”	the proposed issuance of new shares of the Spin-off Company in the Proposed Spin-off
“Proposed Spin-off”	the proposed spin-off and separate listing of the shares of the Spin-off Company on the A Share Stock Exchange
“Remaining Group”	the Group, excluding the Spin-off Group
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of US\$0.0001 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Spin-off Company”	Tianxinfu (Beijing) Medical Appliance Co., Ltd. (天新福(北京)醫療器材股份有限公司), a joint stock company established in the PRC on January 18, 2002, acquired by the Group in August 2014 and a non-wholly-owned subsidiary of the Company
“Spin-off Group”	the Spin-off Company and its subsidiaries from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

In this announcement, the English names of the PRC entities are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

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

Hong Kong, July 24, 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.