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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 DISPOSAL OF CERTAIN SUBSIDIARIES ENGAGED IN ORTHOPEDIC IMPLANT BUSINESS

DISPOSAL OF CERTAIN SUBSIDIARIES ENGAGED IN ORTHOPEDIC IMPLANT BUSINESS

On December 24, 2016, the Purchaser entered into the Equity Transfer Agreements, comprising Walkman Biomaterial Transfer Agreement, Shenzhen Bone Transfer Agreement and Tianqiong Investment Transfer Agreement, with certain subsidiaries of the Company in respect of the disposal of the Target Companies at a total consideration of RMB450 million. Upon completion of the Transactions, the Company will cease to hold any equity interest in the Target Companies, and Walkman Biomaterial, Shenzhen Bone, Tianqiong Investment and their respective subsidiaries (if any) will cease to be subsidiaries 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 Transactions, is more than 5% but less than 25% on an aggregate basis, the Transactions constitute 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.

On December 24, 2016, the Purchaser entered into the Equity Transfer Agreements, comprising Walkman Biomaterial Transfer Agreement, Shenzhen Bone Transfer Agreement and Tianqiong Investment Transfer Agreement, with certain subsidiaries of the Company in respect of the disposal of the Target Companies at a total consideration of RMB450 million. Upon completion of the Transactions, Walkman Biomaterial, Shenzhen Bone, Tianqiong Investment and their respective subsidiaries (if any) will cease to be subsidiaries of the Company. The key terms of the Transactions under the Equity Transfer Agreements are set out as follows.

I. SUMMARY OF THE TRANSACTIONS

The Transactions comprise: (1) the disposal of equity interests in Walkman Biomaterial; (2) the disposal of equity interests in Shenzhen Bone; and (3) the disposal of equity interests in Tianqiong Investment.

Disposal of Equity Interests in Walkman Biomaterial

On December 24, 2016, PWM Investment and Health Forward, both being wholly-owned subsidiaries of the Company, among others, entered into the Walkman Biomaterial Transfer Agreement with the Purchaser in connection with the transfer of all equity interests of Walkman Biomaterial held by PWM Investment and Health Forward, namely 79.02% equity interests of Walkman Biomaterial in aggregate. The remaining 20.98% equity interests of Walkman Biomaterial are held by Yingshang Technological, a wholly-owned subsidiary of Tianqiong Investment. As Tianqiong Investment's 100% equity interests will be transferred to the Purchaser pursuant to the Tianqiong Investment Transfer Agreement, the Company will no longer hold any equity interest in Walkman Biomaterial, and Walkman Biomaterial will cease to be a wholly-owned subsidiary of the Company upon completion of the Transactions.

Disposal of Equity Interests in Shenzhen Bone

On December 24, 2016, PWM Investment entered into the Shenzhen Bone Transfer Agreement with the Purchaser in connection with the transfer of all equity interests of Shenzhen Bone held by PWM Investment, namely 88.57% equity interests in Shenzhen Bone. The remaining 11.43% equity interests are held by Walkman Biomaterial. As Walkman Biomaterial's 100% equity interests will be transferred to the Purchaser pursuant to the Walkman Biomaterial Transfer Agreement and Tianqiong Investment Transfer Agreement, respectively, the Company will no longer hold any equity interest in Shenzhen Bone, and Shenzhen Bone will cease to be a wholly-owned subsidiary of the Company upon completion of the Transactions.

Disposal of Equity Interests in Tianqiong Investment

On December 24, 2016, PWM Investment entered into the Tianqiong Investment Transfer Agreement with the Purchaser in connection with the transfer of all equity interests of Tianqiong Investment held by PWM Investment, namely 100% equity interests in Tianqiong Investment. Upon completion of the Transactions, the Company will no longer hold any equity interest in Tianqiong Investment, and Tianqiong Investment will cease to be a wholly-owned subsidiary of the Company.

II. PARTIES TO THE EQUITY TRANSFER AGREEMENTS

Walkman Biomaterial Transfer Agreement

- (1) PWM Investment (as vendor of 53.38% equity interests in Walkman Biomaterial);
- (2) Health Forward (as vendor of 25.64% equity interests in Walkman Biomaterial);
- (3) the Purchaser (as purchaser of 79.02% equity interests in Walkman Biomaterial);
- (4) Yingshang Technological (a shareholder holding 20.98% equity interests in Walkman Biomaterial and a wholly-owned subsidiary of Tianqiong Investment); and
- (5) Walkman Biomaterial (as the Target Company).

Shenzhen Bone Transfer Agreement

- (1) PWM Investment (as vendor of 88.57% equity interests in Shenzhen Bone);
- (2) the Purchaser (as purchaser of 88.57% equity interests in Shenzhen Bone);
- (3) Walkman Biomaterial; and
- (4) Shenzhen Bone (as the Target Company).

Tianqiong Investment Transfer Agreement

- (1) PWM Investment (as vendor of 100% equity interests in Tianqiong Investment);
- (2) the Purchaser (as purchaser of 100% equity interests in Tianqiong Investment); and
- (3) Tianqiong Investment (as the Target Company).

III. INFORMATION RELATING TO THE COMPANY, THE VENDORS, THE PURCHASER AND THE TARGET COMPANIES

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 activities of the Company are investment holding. The Group is principally engaged in the development, manufacturing and sale of regenerative medical biomaterial products, advanced infusion set products and orthopedic implant products.

The Vendors

PWM Investment is a company incorporated under the laws of Hong Kong on October 30, 2009, and it is a directly wholly-owned subsidiary of the Company.

Health Forward is a company incorporated under the laws of Hong Kong on January 21, 2010, and it is an indirectly wholly-owned subsidiary of the Company.

The principal business activities of the Vendors are investment holding.

The Purchaser

The Purchaser is a limited partnership established in the PRC on October 31, 2016. The principal business activities of the Purchaser are investment in domestic and international capital markets.

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

The Target Companies

(1) *Walkman Biomaterial*

Walkman Biomaterial is an indirectly wholly-owned subsidiary of the Company as of the date of this announcement. It was established on November 8, 2001 in the PRC with limited liability and it is primarily engaged in the development, manufacturing and sale of orthopedic implant products.

(2) *Shenzhen Bone*

Shenzhen Bone is an indirectly wholly-owned subsidiary of the Company as of the date of this announcement. It was established on November 12, 2002 in the PRC with limited liability and it is primarily engaged in the development, manufacturing and sale of orthopedic implant products.

(3) *Tianqiong Investment*

Tianqiong Investment is an indirectly wholly-owned subsidiary of the Company as of the date of this announcement. It was established on January 30, 2013 in the PRC with limited liability and it is an investment holding company.

IV. MAJOR TERMS OF THE EQUITY TRANSFER AGREEMENTS

1. Consideration and Completion

The total consideration for the Transactions was RMB450 million and was arrived at after arm's length negotiations between the Purchaser and the Company based on the historical financial position and business performance of the Target Companies, including without limitation to, the historical revenue, profit/loss, carrying value of net assets and the historical investment amounts of the Target Companies. The consideration of each Equity Transfer Agreement shall be paid by installments in the following manner:

- (1) the first installment shall be 20% of the total consideration under each Equity Transfer Agreement, and the Purchaser shall make such payment to a bank account designated by the respective Vendor within three business days after the execution of such Equity Transfer Agreement; and
- (2) the remaining portion of the consideration shall be settled in full by the Purchaser (with the income tax payable by each Vendor deducted) within two months after the completion of SAIC filings related to such Equity Transfer Agreement.

Each Vendor may terminate the respective Equity Transfer Agreement, demand return of the respective equity interests and claim damages if the Purchaser fails to pay the remaining portion of the consideration in time after the respective Vendor requests such payment.

The Purchaser shall provide each Vendor with tax payment receipts evidencing the payment of tax levied upon such Vendor related to gains from the equity transfer contemplated by the respective Equity Transfer Agreement.

2. Conditions Precedent for the Equity Transfer Agreements

Payment of consideration for each Equity Transfer Agreement is subject to the fulfillment or written waivers by the Purchaser of certain conditions precedent, including:

- (1) the representations and warranties made by the Target Company and the existing shareholders of the Target Company under the respective Equity Transfer Agreement are true, accurate and not misleading at the transfer date of ownership;
- (2) there is (i) no material change to the principal business of the Target Company; (ii) no material adverse change to the assets of the Target Company; (iii) no event which may have material adverse effect on the financial status, prospects, assets or obligations of the Target Company; (iv) no circumstance which may result in the termination of business of the Target Company; and (v) no pledge, mortgage or any other encumbrance or any third party's right or claim on the equity interests in the Target Company;

- (3) the Target Company continues to be in the course of completing the strategic cooperation negotiations with its major business partners (including without limitation to its core raw material suppliers) in accordance with its current plan and industry practice, and execute the strategic cooperation agreement(s) and the relevant documents on fair and reasonable terms;
- (4) all parties under the respective Equity Transfer Agreement have fully complied with the representations and warranties provided thereunder; and
- (5) the key employees as identified by the Purchaser have signed employee agreements (including confidentiality terms) with the Target Company, in the form and content satisfactory to the Purchaser.

3. Transfer of ownership

The profit or loss attributable to the shareholders of each Target Company and its management and operation will be transferred to the Purchaser at the earlier of (i) the second day after the SAIC filings related to the relevant Equity Transfer Agreement are completed; and (ii) December 30, 2016.

V. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Target Companies do not have a leading position in the PRC orthopedic implant business industry in respect of market share. In recent years, the revenue growth and profit growth of the Target Companies are behind the other outstanding peer companies and behind the other business segments of the Group. The working capital management of the Target Companies, especially the indicators of trade receivable turnover and inventory turnover, are much weaker than those of the other business segments of the Group and of the Group as a whole. The Directors consider that, subsequent to the disposal of the Target Companies, the Group will be able to better use its resources in other high growth segments currently in the Group, and other potential high growth businesses if any opportunity arises. The Directors also consider that, the disposal of the Target Companies will help the Group to improve the efficiency of its working capital management and the financial indicators of working capital and profitability.

The Directors believe that the terms of the Equity Transfer Agreements are fair and reasonable and in the interests of the Company and its shareholders as a whole.

VI. FINANCIAL EFFECT OF THE TRANSACTIONS AND USE OR PROCEEDS

Upon completion of the Transactions, the Company will cease to hold any equity interest in the Target Companies, and Walkman Biomaterial, Shenzhen Bone, Tianqiong Investment and their respective subsidiaries (if any) will cease to be subsidiaries of the Company. Therefore, the Target Companies' results, assets and liabilities will no longer be consolidated into the financial statements of the Company.

Set forth below is the financial information of the Target Companies on an aggregate basis for the two years ended December 31, 2014 and 2015, as extracted from the unaudited management accounts prepared in accordance with HKFRS.

	For the year ended December 31,	
	2014	2015
	<i>(RMB'000)</i>	
Profit before taxation	46,764	4,259
Profit after taxation	38,399	698
	As of December 31,	
	2014	2015
	<i>(RMB'000)</i>	
Net assets*	472,506	476,493
Total assets*	534,640	549,018

* Include the Group's goodwill attributable to the orthopedic implants business, which amounted to approximately RMB88.97 million as at December 31, 2014 and 2015.

The Company expects to recognise a collective loss of approximately RMB40 million arising from the Transactions, which represents the difference between the total consideration of the Transactions and the carrying amount of net asset value of the Target Companies as at the completion date of the Transactions, which is estimated by making reference to the unaudited carrying amount of net asset value of the Target Companies under HKFRS as at October 30, 2016, including the Group's goodwill attributable to the orthopedic implant business which amounted to approximately RMB88.97 million, and subject to changes caused by the performance results of the Target Companies and the impairment or provisions to be made, if any, subsequent to October 30, 2016.

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

VII. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Transactions, is more than 5% but less than 25% on an aggregate basis, the Transactions constitute 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.

VIII. DEFINITIONS

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

“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
“Directors”	the directors of the Company
“Equity Transfer Agreements”	the Walkman Biomaterial Transfer Agreement, the Shenzhen Bone Transfer Agreement and the Tianqiong Investment Transfer Agreement (each an Equity Transfer Agreement)
“Group”	the Company and its subsidiaries
“Health Forward”	Health Forward Holdings Limited, a company incorporated under the laws of Hong Kong on January 21, 2010 and an indirectly wholly-owned subsidiary of 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 (as amended from time to time)
“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
“Purchaser”	Zhangjiakou Guorong Enterprise Management LLP (張家口國榮企業管理中心(有限合夥)), a limited partnership established in the PRC on October 31, 2016

“PWM Investment”	PWM Investment Holdings Company Limited, a company incorporated under the laws of Hong Kong on October 30, 2009 and a directly wholly-owned subsidiary of the Company
“SAIC”	State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政總局) or any of its branch office
“Shenzhen Bone”	Shenzhen Bone Medical Device Co., Ltd. (深圳市博恩醫療器材有限公司), a sino-foreign equity joint venture enterprise established under the laws of the PRC on November 12, 2002 and an indirectly wholly-owned subsidiary of the Company
“Shenzhen Bone Transfer Agreement”	the equity transfer agreement dated December 24, 2016 entered into by PWM Investment, the Purchaser, Walkman Biomaterial and Shenzhen Bone in relation to the transfer of equity interests in Shenzhen Bone
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target Companies”	Walkman Biomaterial, Shenzhen Bone and Tianqiong Investment (each a Target Company)
“Tianqiong Investment”	Lhasa Tianqiong Investment Management Co., Ltd. (拉薩天穹投資管理有限公司), a wholly foreign-owned enterprise established under the laws of the PRC on January 30, 2013 and an indirectly wholly-owned subsidiary of the Company
“Tianqiong Investment Transfer Agreement”	the equity transfer agreement dated December 24, 2016 entered into by PWM Investment, the Purchaser and Tianqiong Investment in relation to the transfer of equity interests in Tianqiong Investment
“Transactions”	the disposal of all the Company’s indirect equity interests in Walkman Biomaterial, Shenzhen Bone and Tianqiong Investment pursuant to the Equity Transfer Agreements
“Vendors”	PWM Investment and Health Forward (each a Vendor)
“Walkman Biomaterial”	Tianjin Walkman Biomaterial Co., Ltd. (天津市威曼生物材料有限公司), a wholly foreign-owned enterprise established under the laws of the PRC on November 8, 2001 and an indirectly wholly-owned subsidiary of the Company

“Walkman Biomaterial Transfer Agreement”	the equity transfer agreement dated December 24, 2016 entered into by PWM Investment, Health Forward, the Purchaser, Yingshang Technological and Walkman Biomaterial in relation to the transfer of equity interests in Walkman Biomaterial
“Yingshang Technological”	Tianjin Yingshang Technological Development Co., Ltd. (天津英尚科技發展有限公司), a limited liability company established under the laws of the PRC on October 16, 2009 and an indirectly wholly-owned subsidiary of the Company

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

Hong Kong, December 27, 2016

As at the date of this announcement, the board of Directors 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.