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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)

MAJOR TRANSACTION AND INSIDE INFORMATION ACQUISITION OF MEDICAL DEVICE COMPANY IN THE PRC

THE ACQUISITION

On May 20, 2014 (after trading hours), Health Forward and Fert Technology, both being the wholly-owned subsidiaries of the Company, entered into the Equity Transfer Agreement with the Vendors. Pursuant to the Equity Transfer Agreement, it has been conditionally agreed that Health Forward and Fert Technology will acquire the entire equity interest in the Target Company from the Vendors.

LISTING RULES IMPLICATIONS

Based on the applicable percentage ratios, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and therefore is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. The Company is also issuing this announcement pursuant to Rule 13.09 of the Listing Rules and under Part XIVA of the Securities and Futures Ordinance (Cap. 571).

None of the Directors has a material interest in the Acquisition and none of them is required to abstain, or has abstained, from voting on the relevant board resolutions approving the Equity Transfer Agreement and matters ancillary thereto.

The EGM will be convened to consider and, if thought fit, to approve the Equity Transfer Agreement and Acquisition. Voting by the Shareholders at the EGM will be taken by poll. To the Directors' best knowledge and belief, no Shareholder is required to abstain from voting in respect of the Equity Transfer Agreement and the Acquisition at the EGM.

A circular containing, among other things, information on the Equity Transfer Agreement and the Acquisition, together with the notice of EGM, will be published and despatched to the Shareholders. The Company expects to despatch the circular on or before June 11, 2014.

On May 20, 2014 (after trading hours), Health Forward and Fert Technology, both being the wholly-owned subsidiaries of the Company, entered into an equity transfer agreement (the “**Equity Transfer Agreement**”) with the Vendors. Pursuant to the Equity Transfer Agreement, it has been conditionally agreed that Health Forward and Fert Technology will acquire the entire equity interest in the Target Company from the Vendors.

EQUITY TRANSFER AGREEMENT

Date

May 20, 2014

Parties

- (A) Health Forward (as purchaser of 70% equity interest in the Target Company) and Fert Technology (as purchaser of 30% equity interest in the Target Company);
- (B) Ms. Yu Lidan (as vendor of 99% equity interest in the Target Company, the “**First Vendor**”) and Ms. Wang Lifang (as vendor of 1% equity interest in the Target Company, the “**Second Vendor**”, together with the First Vendor, the “**Vendors**”);
- (C) Target Company; and
- (D) the Company (as guarantor for Health Forward and Fert Technology).

Consideration and Completion

Pursuant to the Equity Transfer Agreement, it has been conditionally agreed that (a) Health Forward will acquire 70% equity interest in the Target Company from the First Vendor at a consideration of RMB561,842,163.58; and (b) Fert Technology will acquire 29% and 1% equity interest in the Target Company from the First Vendor and the Second Vendor at a consideration of RMB232,763,182.05 and RMB8,026,316.62, respectively. The total consideration payable by Health Forward and Fert Technology to the Vendors amounts to RMB802,631,662.25.

The consideration to be paid to the Vendors for the Acquisition will be settled in the following manner:

- (a) Fert Technology shall pay advance payments of RMB188.5 million and RMB6.5 million to the First Vendor and the Second Vendor, respectively, within 15 business days after the execution of the Equity Transfer Agreement. Such advance payments shall be unconditionally returned to Fert Technology in the event that the SAIC filings for the Acquisition can not be completed on or before August 31,

2014. Fert Technology shall withhold the individual income tax (in the amount of RMB45,789,498.67) payable by the Vendors for the disposal of 30% equity interests in the Target Company;

- (b) Subject to the conditions precedent being fulfilled, Health Forward shall arrange to provide a bank guarantee letter securing the payment of RMB561,842,163.58 to the First Vendor before the SAIC filings for the Acquisition is completed;
- (c) Upon receipt of the payments and bank guarantee letter referred to in paragraphs (a) and (b) above by the Vendors, both the Purchasers and the Vendors shall proceed to complete the SAIC filing for the change of shareholders of the Target Company within 10 business days. In the event that any of the Purchasers or the Vendors fails to cooperate to complete the SAIC filings, the breaching party shall pay a daily penalty of 0.1% on the 30% of the total consideration; and
- (d) Upon receipt of the new business licence for the Target Company reflecting the change of the shareholders from the Vendors to the Purchasers, Health Forward shall make payment of RMB561,842,163.58 to the First Vendor's bank account (which is to be opened for the specific purpose of the Acquisition) within 3 business days after such bank account is opened. The First Vendor shall return the bank guarantee letter to Health Forward immediately upon receipt of such payment from Health Forward.

All the advancements, payments and the bank guarantee letter shall be unconditionally returned by the Vendors to the Purchasers in the event that the SAIC filings for the Acquisition cannot be completed on or before August 31, 2014.

The Company intends to finance the consideration from its internal resources and bank borrowings.

The consideration has been arrived at after arm's length negotiation between the parties with reference to (a) the historical financial position and performance of the Target Company; and (b) the projected business synergy between the Company and the Target Company. The Directors are of the view that the consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Payment of consideration for the Acquisition is subject to certain conditions precedent including:

- (a) the Vendors and Target Company have made true and accurate disclosure and there is no omission to provide any material information during the due diligence;

- (b) there is (i) no material change to the principal business of the Target Company; (ii) no material adverse change to the asset 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 interest in the Target Company;
- (c) the Target Company continues to be in the course of completing the strategic cooperation negotiations with its major business partners (including without limitation 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; and
- (d) all parties under the Equity Transfer Agreement have fully complied with the representation and warranties provided hereunder.

Representations and Warranties

Parties to the Equity Transfer Agreement have provided certain representations and warranties to each other at the signing and in the implementation of the Equity Transfer Agreement, including:

- (a) each party has been duly incorporated and is in good standing;
- (b) each party has acquired the relevant authority, authorization and approval for executing the Equity Transfer Agreement and fulfilling all the obligations thereunder, in accordance with all the relevant laws and regulations;
- (c) the signatory of each party has been sufficiently authorized to execute the Equity Transfer Agreement; and
- (d) each party shall cooperate and obtain all the governmental and regulatory approvals and filings for the Acquisition.

The Vendors and the Target Company have jointly provided certain representations and warranties to the Purchasers, including:

- (a) the Vendors shall not, without the Purchasers' prior consent, be engaged in any negotiation with any third party in respect of the disposal of assets of or equity interests in the Target Company during the period from the date of the Equity Transfer Agreement to the date on which the SAIC filings for the Acquisition is completed;

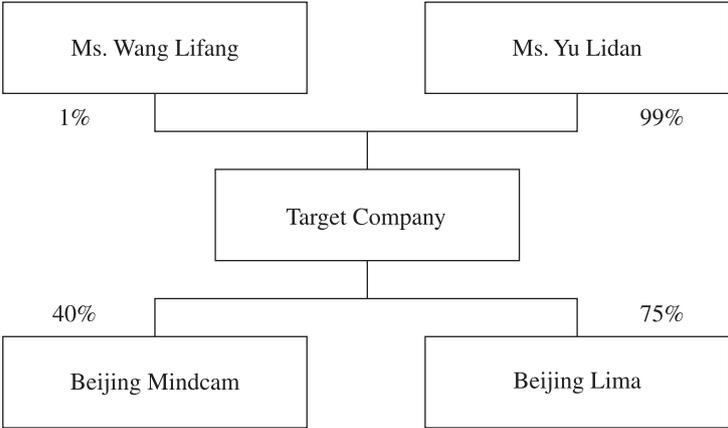
- (b) the Vendors have provided, during the due diligence process, all the material information which may have a material impact on the Purchasers’ willingness to proceed with the Acquisition, and all such information is true, accurate, complete and not misleading;
- (c) the Vendors shall be responsible for all losses or damages arising from (i) all claims made within 3 years after the Completion Date against the quality of the orthopedic products of the Target Company which have been produced and sold prior to the Completion Date; and (ii) all claims made within the relevant quality guarantee period against the quality of the biomaterial products of the Target Company which have been produced prior to the Completion Date provided that all such claims are not caused by the defects in such products due to the inappropriate keeping by the Purchasers after the Completion Date; and
- (d) the Vendors shall be responsible for all the debts and liabilities incurred by the Target Company prior to the Completion Date.

Guarantee by the Company

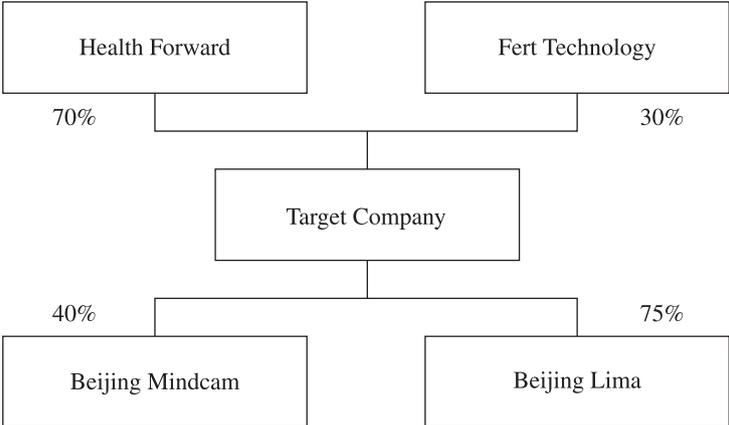
The Company has agreed to provide guarantee for Health Forward and Fert Technology in relation to their fulfilment of all their obligations under the Equity Transfer Agreement.

INFORMATION ON THE TARGET GROUP

Corporate Structure of the Target Group immediately prior to the completion of the Acquisition



Corporate Structure of the Target Group immediately after the completion of the Acquisition



General Information

The Target Company is a limited liability company established in 2002 in the PRC. It has a registered capital of RMB25 million as of the date of this announcement. The Target Company is owned as to 99% by Ms. Yu Lidan and as to 1% by Ms. Wang Lifang.

The Target Company is a high-tech enterprise integrating research, development, production and sales service together. Its main products include regenerative medical biomaterials and orthopedic implant products. It has been granted the High-Tech Enterprise Certificate (《高技術企業證書》) jointly by several government authorities of Beijing in October 2012. It owns a total of 11 patents and has obtained 7 registration certificates for Class III medical devices. It is also in the process of developing and applying for patents for a number of new products. It has an extensive nationwide distribution network with over 150 distributors covering the major provinces in the PRC. Such distribution network is managed and supported by the in-house marketing and sales team of 39 members.

The Target Company owns the right to use the land of its production base in Beijing with a gross floor area of approximately 6,400 square metres.

The Target Company owns 75% equity interest in Beijing Lima and 40% equity interest in Beijing Mindcam. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the other shareholders of Beijing Mindcam and Beijing Lima are third parties independent of the Company and the connected persons of the Company. None of Beijing Lima or Beijing Mindcam has carried out any business operation during the three years ended December 31, 2011, 2012 and 2013 and up to the date of this announcement.

Financial Information

According to the unaudited management accounts of the Target Company, the net asset value of the Target Company was RMB95,035,431 as of December 31, 2013.

According to the audited financial statements for the two financial years ended December 31, 2011 and 2012 and the unaudited management accounts for the year ended December 31, 2013 of the Target Company, all of which were prepared in accordance with the generally accepted accounting principles in the PRC, for the three years ended December 31, 2011, 2012 and 2013, (a) the net profits (before tax) of the Target Company amounted to RMB72,885,860.98, RMB84,633,343.93 and RMB106,284,217.54, respectively; and (b) the net profits (after tax) of the Target Company amounted to RMB61,910,876.72, RMB71,938,342.34 and RMB90,341,584.90, respectively.

After the completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company. The financial results of the Target Company will be consolidated into the financial results of the Company.

INFORMATION ON THE COMPANY, THE PURCHASERS AND THE VENDORS

The Company is a medical device company focused on fast-growing and high-margin segments of China's medical device industry. The Company is a leader in its current business segments of orthopedic implants and advanced infusion sets.

Health Forward is an investment holding company indirectly wholly owned by the Company. Fert Technology is indirectly wholly owned by the Company and is principally engaged in developing and manufacturing advanced infusion sets.

Ms. Yu Lidan and Ms. Wang Lifang own 99% and 1% equity interest in the Target Company respectively. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors are third parties independent of the Company and the connected persons of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors consider that the Acquisition will be beneficial to the Group from the following perspectives:

- (1) The Target Company is engaged in the fast-growing and high margin segments of China's medical device industry, which is a strategic acquisition priority for the Group;
- (2) The biomaterial products of the Target Company are well recognized in the industry in the PRC. The Group will take over the market share of the Target Company in relation to biomaterial products and further develop it with the benefits of the synergy in research, development, production and distribution after the completion of the Acquisition;
- (3) The Acquisition will broaden the Group's product portfolio and enable the Group to offer a wider variety of orthopedic implant products. On the other hand, the products of the Target Company will also gain entry into the Group's extensive nationwide distribution network after the completion of the Acquisition; and
- (4) As both the Target Company and the Group are engaged in the production of the same category of medical devices, the Acquisition will bring synergy between the Target Company and the Group in the areas of research, development, registration with China Food and Drug Administration (國家食品藥品監督管理總局) and hospital tendering process.

Based on the factors mentioned above, the Directors (including independent non-executive Directors) are of the view that the terms of the Equity Transfer Agreement (including the consideration) are on normal commercial terms which are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the Acquisition and none of them is required to abstain, or has abstained, from voting on the relevant board resolutions approving the Equity Transfer Agreement and matters ancillary thereto.

LISTING RULES IMPLICATIONS

Based on the applicable percentage ratios, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and therefore it is subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. The Company is also issuing this announcement pursuant to Rule 13.09 of the Listing Rules and under Part XIVA of the Securities and Futures Ordinance (Cap. 571).

The EGM will be convened to consider and, if thought fit, to approve the Equity Transfer Agreement and the Acquisition. Voting by the Shareholders at the EGM will be taken by poll. To the Directors' best knowledge and belief, no Shareholder is required to abstain from voting in respect of the Equity Transfer Agreement and the Acquisition at the EGM. A circular containing, among other things, information on the Equity Transfer Agreement and the Acquisition, together with the notice of EGM, will be published and despatched to the Shareholders. The Company expects to despatch the circular on or before June 11, 2014.

DEFINITIONS

“Acquisition”	the acquisition by the Purchasers of the entire equity interest in the Target Company from the Vendors pursuant to the Equity Transfer Agreement, which is expected to be financed by the Group's internal resources and bank borrowings
“associate”	has the meaning ascribed to it in the Listing Rules
“Beijing Lima”	北京麗瑪天新福醫療器械有限公司 (Beijing Lima Tianxinfu Medical Devices Co., Ltd.*), a limited liability company established in PRC, in which the Target Company holds 75% equity interest
“Beijing Mindcam”	北京幸福曼德工程技術有限責任公司 (Beijing XinFu Mindcam Intelligent Engineering Co., Ltd.*), a limited liability company established in PRC, in which the Target Company holds 40% equity interest
“Board”	the board of Directors
“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
“Completion Date”	the date on which Health Forward makes the payment for the consideration for the acquisition of 70% equity interest in the Target Company to the bank account of the First Vendor as mentioned under the paragraph headed “Consideration and Completion” under the sectioned headed “Equity Transfer Agreement” in this announcement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules

“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“China” or “PRC”	the People’s Republic of China, which for the purpose of this announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Equity Transfer Agreement and the Acquisition
“Equity Transfer Agreement”	the equity transfer agreement dated May 20, 2014 entered into among the Purchasers, the Vendors, the Target Company and the Company, the major terms of which are set out in the section headed “Equity Transfer Agreement” in the announcement
“Fert Technology”	Beijing Fert Technology Co., Ltd. (北京伏爾特技術有限公司), a sino-foreign equity joint-venture enterprise established under the laws of the PRC on September 23, 1997 and indirectly wholly owned by the Company
“Group”	the Company and its subsidiaries
“Health Forward”	Health Forward Holdings Limited, an indirectly wholly owned subsidiary of the Company
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Purchasers”	Health Forward and Fert Technology
“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總局) or any of its branch office
“Share(s)”	ordinary share(s) of par value US\$0.0001 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“Target Company”	北京天新福醫療器材有限公司 (Beijing Tianxinfu Medical Appliance Co., Ltd.*), a limited liability company established in PRC on January 18, 2002, owned as to 99% by Ms. Yu Lidan and as to 1% by Ms. Wang Lifang
“Target Group”	the Target Company and its subsidiary
“US\$”	US dollars, the lawful currency of the United States of America
“Vendors”	Ms. Yu Lidan and Ms. Wang Lifang

By order of the Board
PW Medtech Group Limited
Lin Junshan
Chairman of the Board

Hong Kong, May 20, 2014

As at the date of this announcement, the board of directors of the Company comprises Mr. Jiang Liwei as executive director; Mr. Lin Junshan, Ms. Yue’e Zhang and Mr. Feng Dai as non-executive directors; and Mr. Zhang Xingdong, Mr. Wang Xiaogang and Mr. Chen Geng as independent non-executive directors.

* *For identification purpose only*