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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 IN RELATION TO ACQUISITION OF 58.2% EQUITY INTEREST IN THE TARGET COMPANY

THE SHARE TRANSFER AGREEMENT

The Board is pleased to announce that on January 5, 2022 (after trading hours), the Purchaser (an indirectly wholly-owned subsidiary of the Company), the Vendors and the Target Company entered into the Share Transfer Agreement, pursuant to which the Purchaser agreed to acquire, and the Vendors agreed to sell 51.5% equity interest in the Target Company (representing approximately 41.2% of the issued share capital of the Target Company as enlarged by the share subscription contemplated under the Share Subscription Agreement, at the consideration of RMB412,000,000.

THE SHARE SUBSCRIPTION AGREEMENT

The Board is pleased to announce that on January 5, 2022 (after trading hours), the Purchaser, the Independent Minority Investors, the Vendors and the Target Company entered into the Share Subscription Agreement, pursuant to which the Purchaser agreed to subscribe for, and the Target Company agreed to issue, 17% enlarged issued share capital of the Target Company at the consideration of RMB170,000,000, approximately RMB3,415,180 of which will be accounted for by the Target Company as registered capital and approximately RMB166,584,820 of which will be accounted for by the Target Company as capital reserve.

Pursuant to the Share Subscription Agreement, the Independent Minority Investors agreed to subscribe for, and the Target Company agreed to issue, 3% enlarged issued share capital of the Target Company at the total consideration of RMB30,000,000.

The completion of the Share Transfer and the Share Subscription is inter-conditional. Upon completion of the Share Transfer and the Share Subscription, the Company will own 58.2% equity interest in the Target Company through the Purchaser and the Target Company will become a non-wholly owned subsidiary of the Company.

SHAREHOLDERS' AGREEMENT

As one of the conditions precedent of the completion of the Share Transfer and the Share Subscription, the Purchaser, the Independent Minority Investors, the Remaining Target Company Shareholders and the Target Company will enter into the Shareholders' Agreement, which sets out certain shareholder rights enjoyed by the Purchaser.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Share Transfer and the Share Subscription is more than 25% and less than 100%, the Share Transfer and the Share Subscription constitute major transactions of the Company under Rule 14.06 of the Listing Rules and are subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

None of the Directors has a material interest in the Share Transfer and the Share Subscription and none of them is required to abstain, or has abstained, from voting on the relevant board resolutions approving the Share Transfer Agreement and the Share Subscription Agreement and the transactions contemplated thereunder. The EGM will be convened for the Shareholders to consider and, if thought fit, to approve the Share Transfer Agreement and the Share Subscription Agreement and the transactions contemplated thereunder. 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 Share Transfer Agreement and the Share Subscription Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, further information on the Share Transfer Agreement and the Share Subscription Agreement and the transactions contemplated thereunder, together with the notice of EGM, will be published and despatched to the Shareholders. It is expected that the circular will be despatch on or before January 28, 2022.

The Shareholders and potential investors should note that the completion of the Share Transfer and the Share Subscription are subject to, among other things, approval by the Shareholders and the satisfaction of the terms and conditions under the Share Transfer Agreement and the Share Subscription Agreement. There is no assurance that the Share Transfer and the Share Subscription will proceed. Accordingly, the Shareholders and potential investors are reminded to exercise caution when dealing with the Shares.

INTRODUCTION

The Board is pleased to announce that on January 5, 2022 (after trading hours), the Purchaser (an indirectly wholly-owned subsidiary of the Company), the Vendors and the Target Company entered into the Share Transfer Agreement, pursuant to which the Purchaser agreed to purchase, and the Vendors agreed to sell 51.5% equity interest in the Target Company (representing approximately 41.2% of the issued share capital of the Target Company as enlarged by the share subscription contemplated under the Share Subscription Agreement), at the consideration of RMB412,000,000.

On January 5, 2022 (after trading hours), the Purchaser, the Independent Minority Investors, the Vendors and the Target Company entered into the Share Subscription Agreement, pursuant to which the Purchaser agreed to subscribe for, the Target Company agreed to issue, 17% enlarged issued share capital of the Target Company at the consideration of RMB170,000,000, approximately RMB3,415,180 of which will be accounted for by the Target Company as registered capital and approximately RMB166,584,820 of which will be accounted for by the Target Company as capital reserve.

Pursuant to the Share Subscription Agreement, the Independent Minority Investors agreed to subscribe for, and the Target Company agreed to issue, 3% enlarged issued share capital of the Target Company at the total consideration of RMB30,000,000.

As one of the conditions precedent of the completion of the Share Transfer and the Share Subscription, the Purchaser, the Independent Minority Investors, the Remaining Target Company Shareholders and the Target Company will enter into the Shareholders' Agreement, which sets out certain shareholder rights enjoyed by the Purchaser.

The completion of the Share Transfer and the Share Subscription is inter-conditional. Upon the completion of the Share Transfer and the Share Subscription, the Company will own 58.2% equity interest in the Target Company through the Purchaser and the Target Company will become a non-wholly owned subsidiary of the Company.

THE AGREEMENTS

The Share Transfer Agreement

A summary of the principal terms of the Share Transfer Agreement is set out below:

Date

January 5, 2022

Parties

- A. the Purchaser;
- B. the Vendors; and
- C. the Target Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors, the Target Company and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject matter

Pursuant to the Share Transfer Agreement, the Purchaser conditionally agreed to acquire 51.5% equity interest in the Target Company (representing approximately 41.2% of the issued share capital of the Target Company as enlarged by the share subscription contemplated under the Share Subscription Agreement) from the Vendors at a consideration of RMB412,000,000.

Consideration

The Purchaser shall make payment of the consideration, i.e. RMB46,963,200, to the Institutional Vendors within fifteen (15) working days after the Closing Date or after the date on which the Institutional Vendors have opened the bank account for the Share Transfer and sent such account information to the Purchaser, whichever is later.

The consideration to be paid to the Individual Vendors for the Share Transfer will be settled in the following manner:

- (a) the Purchaser shall make payment of 60% of the total consideration, i.e. RMB219,022,080, to the Individual Vendors within fifteen (15) working days after the Closing Date or after the date on which the Individual Vendors have opened the bank account for the Share Transfer and sent such account information to the Purchaser, whichever is later; and
- (b) the Purchaser shall make payment of the remaining 40% of the total consideration, i.e. RMB146,014,720, to the Individual Vendors within fifteen (15) working days after the date on which the Individual Vendors have provided the Purchaser with the documentation evidencing that (i) the Individual Vendors have fully paid the applicable tax for the Share Transfer and (ii) the Individual Vendors have fully paid off all the loans owed to the Target Company and all the loans guaranteed by the Target Company.

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

The consideration for the Share Transfer was determined after arm's length negotiations between the Purchaser and the Vendors on normal commercial terms with reference to (i) the product pipeline, business prospects of the Target Company and the general market conditions of the medical materials industry in the PRC; and (ii) the pre-money appraised value of the 100% equity interest of the Target Company as at the Valuation Date as appraised by the Independent Valuer using the discounted cash flow method under the income approach, being approximately RMB808,000,000.

Conditions Precedent

The completion of the Share Transfer is conditional upon the satisfaction or waiver (where applicable) of the conditions precedent, including, among others:

- (i) no PRC laws and no judgments, awards, rulings or injunctions by courts, arbitration institutions, or relevant government authorities that may restrict, prohibit or cancel the Share Transfer, and no pending or potential litigation, arbitration, judgment, order or injunction that has had or will have material adverse effects on the Share Transfer;
- (ii) the Target Company having obtained or completed all permits, approvals, authorizations, registrations or filings necessary to conduct its business activities;
- (iii) the passing of the resolutions by the Target Company's board of directors and shareholders approving the Share Transfer Agreement and the Share Transfer;
- (iv) the Target Company having obtained all the third party consents (if necessary) for executing the Share Transfer Agreement and the Share Transfer, and the execution of the Share Transfer Agreement will not render the Target Company violate any relevant PRC laws and regulations;
- (v) all parties having duly signed the Share Transfer Agreement, the Share Subscription Agreement, the Shareholders' Agreement and other documents necessary to complete the Share Transfer and the Share Subscription;
- (vi) all approvals, registrations and filings required for the Share Transfer in the reasonable judgment of the Purchaser (including but not limited to the permit, consent, approval and authorisation of the relevant governmental authorities other than the filing with the local authority of Ministry of Commerce and the filing relating to foreign exchange) having been obtained;
- (vii) no material adverse effect on the business and operation of the Target Company for the period from the date of the Share Transfer Agreement to the Closing Date;
- (viii) the representations and warranties of the Vendors being true and correct, and the Vendors having fulfilled the obligations under the Share Transfer Agreement;
- (ix) no events, facts, conditions, changes or other circumstances that have had or may be reasonably foreseen to have a material adverse effect on the Target Company's assets, financial structure, liabilities, technology, profit prospects, and operations for the period from the date of the Share Transfer Agreement to the Closing Date;
- (x) the Share Transfer Agreement and the Share Transfer having been approved by the Shareholders at the EGM; and
- (xi) the Share Transfer and the Share Subscription occurring at the same time.

Closing

Closing is scheduled to take place on the next working day upon the satisfaction of all the conditions precedent under the Share Transfer Agreement, provided that, the completion of the Share Transfer and the Share Subscription is inter-conditional and will occur at the same time.

Termination

The Share Transfer Agreement may be terminated by mutual consent of all the parties under the Share Transfer Agreement.

Either the Vendors (collectively, not individually) or the Purchaser are entitled to terminate the Share Transfer Agreement by written notice if the Share Transfer has not been completed within one year after the date of the Share Transfer Agreement.

The Purchaser is entitled to terminate the Share Transfer Agreement by written notice under any of the following circumstances:

- (i) the filing for Administration for Market Regulation in relation to the Share Transfer cannot be completed within twenty working days upon the satisfaction of all the abovementioned conditions precedent (except for (vi)) under the Share Transfer Agreement; or
- (ii) prior to the Closing Date, the representations or warranties made by the other parties pertaining to the Share Transfer Agreement are untrue or there is any omission therein in any material respect; or
- (iii) prior to the Closing Date, the Target Company and/or the Target Company's shareholders intentionally or recklessly violate the obligations under the Share Transfer Agreement, and fail to take the effective remedial measures as agreed by the Purchaser within ten working days upon the Purchaser's written notice.

The Vendors (either collectively or individually) are entitled to terminate the Share Transfer Agreement by written notice in the event that prior to the Closing Date, the Purchaser intentionally or recklessly violates the obligations under the Share Transfer Agreement, and fails to take the effective remedial measures as agreed by the Vendors within ten working days upon the Vendors' written notice.

The Vendors (collectively, not individually) are entitled to terminate the Share Transfer Agreement by written notice in the event that the Purchaser fails to make payment of the total consideration for the Share Transfer to the Vendors in accordance with the Share Transfer Agreement and the Purchaser's payment obligation has still not been fulfilled within fifteen days upon the Vendors' written notice.

The Share Subscription Agreement

A summary of the principal terms of the Share Subscription Agreement is set out below:

Date

January 5, 2022

Parties

- A. the Purchaser;
- B. Independent Minority Investors;
- C. the Vendors; and
- D. The Target Company

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Target Company, the Independent Minority Investors, the Vendors and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject matter

Pursuant to the Share Subscription Agreement, it has been conditionally agreed that the Purchaser will subscribe for, and the Target Company agreed to issue, 17% enlarged issued share capital of the Target Company at a consideration of RMB170,000,000, approximately RMB3,415,180 of which will be accounted for by the Target Company as registered capital and approximately RMB166,584,820 of which will be accounted for by the Target Company as capital reserve.

Pursuant to the Share Subscription Agreement, the Independent Minority Investors agreed to subscribe for, and the Target Company agreed to issue, 3% enlarged issued share capital of the Target Company at the total consideration of RMB30,000,000.

Consideration

The Purchaser shall make payment of the total consideration, i.e. RMB170,000,000, to the Target Company within fifteen (15) working days after the Closing Date or after the date on which the Target Company has opened the bank account for the Share Subscription and sent such account information to the Purchaser, whichever is later.

The consideration for the Share Subscription was determined after arm's length negotiations between the Purchaser and the Target Company on normal commercial terms with reference to (i) the product pipeline, business prospects of the Target Company and the general market conditions of the medical

materials industry in the PRC; and (ii) the pre-money appraised value of the 100% equity interest of the Target Company as at the Valuation Date as appraised by the Independent Valuer using the discounted cash flow method under the income approach, being approximately RMB808,000,000.

Conditions Precedent

The completion of the Share Subscription is conditional upon the satisfaction or waiver (where applicable) of the conditions precedent, including, among others:

- (i) no PRC laws and no judgments, awards, rulings or injunctions by courts, arbitration institutions, or relevant government authorities that may restrict, prohibit or cancel the Share Subscription, and no pending or potential litigation, arbitration, judgment, order, ruling or injunction that has had or will have material adverse effects on the Share Subscription;
- (ii) the Target Company having obtained or completed all permits, approvals, authorizations, registrations or filings necessary to conduct its business activities;
- (iii) the passing of the resolutions by the Target Company's board of directors and shareholders approving the Share Subscription Agreement and the Share Subscription;
- (iv) the Target Company having obtained all the third party consents (if necessary) for executing the Share Subscription Agreement and the Share Subscription, and the execution of the Share Subscription Agreement will not render the Target Company violate any relevant PRC laws and regulations;
- (v) all parties having duly signed the Share Subscription Agreement, the Share Transfer Agreement, the Shareholders' Agreement and other documents necessary to complete the Share Transfer and the Share Subscription;
- (vi) all approvals, registrations and filings required for the Share Subscription in the reasonable judgment of the Purchaser (including but not limited to the permit, consent, approval and authorisation of the relevant governmental authorities other than the filing with the local authority of Ministry of Commerce and the filing relating to foreign exchange) having been obtained;
- (vii) no material adverse effect on the business and operation of the Target Company for the period from the date of the Share Subscription Agreement to the Closing Date;
- (viii) the representations and warranties of the Target Company and the Vendors being true and correct, and the Target Company and the Vendors having fulfilled the obligations under the Share Subscription Agreement;
- (ix) no events, facts, conditions, changes or other circumstances that have had or may be reasonably foreseen to have a material adverse effect on the Target Company's assets, financial structure, liabilities, technology, profit prospects, and operations for the period from the date of the Share Subscription Agreement to the Closing Date;

(x) the Share Subscription Agreement and the Share Subscription having been approved by the Shareholders of the Company at the EGM; and

(xi) the Share Transfer and the Share Subscription occurring at the same time.

Closing

Closing is scheduled to take place on the next working day upon the satisfaction of all the conditions precedent under the Share Subscription Agreement, provided that, the completion of the Share Subscription and the Share Transfer is inter-conditional and will occur at the same time.

Termination

The Share Subscription Agreement may be terminated by mutual consent of all the parties under the Share Subscription Agreement. The Target Company or the Purchaser is entitled to terminate the Share Subscription Agreement by written notice if the Share Subscription has not been completed within one year after the date of the Share Subscription Agreement.

The Purchaser is entitled to terminate the Share Subscription Agreement by written notice under any of the following circumstances:

- (i) the filing for Administration for Market Regulation in relation to the Share Subscription cannot be completed within twenty working days upon the satisfaction of all the abovementioned conditions precedent (except for (vi)) under the Share Subscription Agreement; or
- (ii) prior to the Closing Date, the representations or warranties made by the other parties pertaining to the Share Subscription Agreement are untrue or there is any omission therein in any material respect; or
- (iii) prior to the Closing Date, the Target Company and/or the Vendors intentionally or recklessly violate the obligations under the Share Subscription Agreement, and fail to take the effective remedial measures as agreed by the Purchaser within ten working days upon the Purchaser's written notice.

The Target Company and the Vendors are entitled to terminate the Share Subscription Agreement by written notice if the Purchaser intentionally or recklessly violates the obligations under the Share Subscription Agreement, and fails to take the effective remedial measures as agreed by other parties within ten working days upon other parties' written notice.

SHAREHOLDERS' AGREEMENT

As one of the conditions precedent of the completion of the Share Transfer and the Share Subscription, the Purchaser, the Independent Minority Investors, the Remaining Target Company Shareholders and the Target Company will enter into the Shareholders' Agreement, which sets out the following shareholder rights enjoyed by the Purchaser:

Entitlement to appoint board member and supervisor

Pursuant to the Share Subscription Agreement, the board of the Target Company shall consist of five members, of which the Purchaser shall be entitled to designate three members of the board of the Target Company upon the completion of the Share Subscription. The Purchaser shall also be entitled to designate the sole supervisor of the Target Company.

Pre-emptive rights

In the event the Target Company proposes to increase its registered capital, subject to customary exceptions, the Purchaser will have a pre-emptive right to subscribe for all or part of such increased registered capital on the same terms under the proposed increase of registered capital by the Target Company.

Right of First Refusal

In the event any shareholder of the Target Company other than the Purchaser proposes to transfer its equity interests in the Target Company, the Purchaser will have a right of first refusal to purchase such equity interests on the same terms under the proposed transfer by such shareholder.

Disposal or transfer of equity interest in the Target Company

The Purchaser shall have the right to transfer, sell or otherwise dispose of its equity interest in the Target Company in whole or in part and the Remaining Target Company Shareholders agreed to waive their right of first refusal in accordance with applicable PRC laws.

Liquidation preference

In the event that the Target Company is liquidated due to bankruptcy, to the extent permissible under the PRC laws, the Purchaser shall rank in priority to any other shareholders of the Target Company and shall be entitled to receive in cash, amounting to (a) the consideration of the Share Transfer and the Share Subscription (i.e. RMB582,000,000); plus (b) a compound interest of ten percent (10%) per annum of such consideration of the Share Transfer and the Share Subscription (the "Liquidation Preference Amount"). Following the distribution of the Liquidation Preference Amount in full, any remaining assets of the Target Company legally available for distribution shall be distributed pro rata among the shareholders of the Target Company.

INFORMATION ON THE PARTIES

The Company

The Company is an exempted company incorporated under the laws of the Cayman Islands with limited liability on May 13, 2011. The principal business activity of the Company is investment holding. The Group is principally engaged in the R&D, manufacturing and sale of advanced infusion set, intravenous cannula products, insulin needles etc. in the PRC.

The Purchaser

The Purchaser is a company incorporated in Hong Kong with limited liability on September 9, 2021. The principal business activity of the Purchaser is investment holding.

The Independent Minority Investors

Ningbo Fengkai Enterprise Management Partnership (Limited Partnership) (寧波豐楷企業管理合夥企業(有限合夥)) is a limited partnership incorporated in the PRC on October 8, 2021 and is principally engaged in investment holding. Ningbo Fengkai Enterprise Management Partnership (Limited Partnership) was owned by (i) Ran Nianmo (冉年模) as to 99%, as the general partner, and (ii) Liao Wanfeng (廖晚鳳) as to 1%, as the limited partner.

Xi'an Jiaoda Siyuan Puhui Investment Partnership (Limited Partnership) (西安交大思源普惠投資合夥企業(有限合夥)) is a limited partnership incorporated in the PRC on April 10, 2018 and is principally engaged in investment holding. Xi'an Jiaoda Siyuan Puhui Investment Partnership (Limited Partnership) was owned by (i) Ningbo Siyuan Puhui Assets Management Co., Ltd. (寧波思源普惠資產管理有限公司) as to 0.9804%, as the general partner, (ii) Xi'an Jiaotong University Education Foundation (西安交通大學教育基金會) as to 98.0392%, as a limited partner, and (iii) Junfu Likang (Shenzhen) Startup Investment Co., Ltd. (均富利康(深圳)創業投資有限公司) as to 0.9804%, as a limited partner. Ningbo Siyuan Puhui Assets Management Co., Ltd. was ultimately owned by Zhang Qi (張旗) as to 99% and He Yuanling (何元凌) as to 1%. Junfu Likang (Shenzhen) Startup Investment Co., Ltd. was ultimately owned by Ma Xiaohui (馬曉輝) as to 99% and Wen Xiaoying (文曉穎) as to 1%.

The Vendors

Huaimin Yang (楊懷民), Wenquan Sun (孫文全), Xin Wang (王忻) and Luchan Ye (葉綠嬋) are independent third parties to the Company.

Hainan Ruijian Enterprise Management Partnership (Limited Partnership) (海南瑞健企業管理合夥企業(有限合夥)) (previously known as Kashi Ruijiang Investment Management Partnership (Limited Partnership) (喀什瑞健投資管理合夥企業(有限合夥))) is a limited partnership incorporated in the PRC on July 7, 2016 and is principally engaged in investment holding. Hainan Ruijian Enterprise Management Partnership (Limited Partnership) was owned by (i) Wenquan Sun (孫文全) as to 17.0453%, as the general partner, and (ii) Huaixin Yang (楊懷欣) as to 61.405%, Ci Qu (曲詞) as to

8.9798%, Luchan Ye (葉綠嬋) as to 6.4132%, Xuying Yin (尹栩穎) as to 2.5652%, Zhijie Wang (王志潔) as to 1.924%, Zi Ye (葉孜) as to 1.2828% and Tianen Li (李天恩) as to 0.3847%, as limited partners.

Dongguan Gaohua No. 1 Investment Partnership (Limited Partnership) (東莞高樺一號投資合夥企業(有限合夥)) is a limited partnership incorporated in the PRC on April 18, 2017 and is principally engaged in investment holding. Dongguan Gaohua No. 1 Investment Partnership (Limited Partnership) was owned by (i) Wei Feng (馮蔚) as to 17.83%, as the general partner, and (ii) Junxi Investment (Beijing) Co., Ltd. (君熙投資(北京)有限公司) as to 27.6667%, Mintao Li (李敏滔) as to 27.6667%, Weijun Bi (畢衛軍) as to 16.6% and Wei Li (李維) as to 10.2367%, as limited partners. Junxi Investment (Beijing) Co., Ltd. (君熙投資(北京)有限公司) was owned by Xiangnan Meng (孟祥男) and Yurong Chi (遲玉榮) as to 55% and 45%, respectively.

The Target Company

The Target Company is a limited liability company incorporated in the PRC on February 5, 2013. The Target Company is a biotechnology company, principally engaged in the R&D of the regenerative medical biomaterials.

Financial information of the Target Company

The following table sets forth the financial information attributable to the Target Company for the two years ended December 31, 2019 and 2020 based on the unaudited financial statements prepared under HKFRS.

	For the years ended	
	December 31,	
	<i>(RMB'000)</i>	
	2019	2020
	(Unaudited)	(Unaudited)
Net loss before taxation	(8,100)	(11,179)
Net loss after taxation	(8,100)	(11,179)
	As of December 31,	
	<i>(RMB'000)</i>	
	2019	2020
	(Unaudited)	(Unaudited)
Total assets	63,778	58,554
Net assets/(liabilities)	27	(9,275)

REASONS FOR AND BENEFITS OF THE SHARE TRANSFER AND THE SHARE SUBSCRIPTION

The Company considered the Share Transfer and Share Subscription are beneficial to the Company's business development for the following reasons:

- **Expansion into the regenerative medical biomaterials industry in the PRC.** By acquiring the Target Company, the Company will expand into the regenerative medical biomaterials industry in the PRC with fast-growing, high-margin and high-potential opportunities, which is in line with the Company's long-term strategies. According to China Insights Consultancy Limited, the size of the regenerative medical biomaterials market in China is estimated to be at RMB20.2 billion in 2020, and is expected to further increase to RMB44.9 billion by 2024, representing a CAGR of 22.2% during this period. In part due to its growth potential, the regenerative medical biomaterials sub-segment has been considered one of the most valuable areas of investment in the medical device sector in recent years. As such, the Group has identified the regenerative medical biomaterials sub-segment as an untapped opportunity for further growth in the coming years, and views the acquisition of the Target Company, including its product pipeline and R&D platform, to help the Group further accelerate its growth and evolution into a leading medical device company in China.
- **Regenerative medical biomaterials are clinically advantageous and commercially valuable.** Regenerative medical biomaterials refer to biomedical materials formed from natural biological tissues which are processed using special technologies like tissue engineering technology. The regenerative medical biomaterials have the following advantages:
 - (i) Compared with ordinary biomedical materials, regenerative medical biomaterials that are implanted into the body can induce regeneration and repair of defective tissues and organs. Regenerative medical biomaterials have the advantages of good tissue inductivity, histocompatibility, degradation compliance, mechanical compliance with high standard of safety.
 - (ii) Compared with biological synthetic materials and metallic materials whose tissue structure is quite different from human tissue, regenerative medical biomaterials are made by animal tissues such as pigs and cattle, and their composition and structure are very similar to human tissue, thus artificial organs and tissue made from regenerative medical biomaterials that implanted into human body through tissue engineering technology on the premise of retaining animal tissue structure is highly acceptable to human body and can effectively avoid the occurrence of immune rejection and discomfort, which can significantly improve the life quality of patients.
 - (iii) Regenerative medical biomaterials are highly biogenic and have been modified by immune rejection and surface activity, so they have excellent biocompatibility and can grow together with host cells to induce tissue regeneration.

(iv) Regenerative medical biomaterials also have excellent mechanical compliance and degradation compliance. Good mechanical compliance enables the biomechanical requirements of various applications to be met by biomechanical modification of biomaterials at the molecular level.

- **Growth potential of the Target Company in the PRC.** The Target Company possesses a strong product pipeline that covers several R&D stages, including but not limited to biological hernia patch, biological dressing, oral cavity repair membrane, breast tissue patch, injection granules and biological sponge.

The following chart summarizes the product pipeline of the Target Company as of the date of this announcement:

Projects	Indicated Application	Research and Development Stage			
		Design Validation	Type Testing	Clinical	Registration
Biological Hernia Patch (“生物疝補片”)	Hernia repair	(1)			
Biological Dressing (“生物敷料”)	Wound healing and treatment	(2)			
Oral Cavity Repair Membrane (“口腔生物膜”)	Oral repair	(3)			
Breast Tissue Patch (“乳房組織補片”)	Breast repair	(4)			
Injection Granules (“注射顆粒”)	Injection cosmetology	(5)			
Biological Sponge (“生物海綿”)	Tissue defects repair	(6)			

Notes:

- (1) Biological hernia patch is a tissue remodeling and regenerative medical device that is used in hernia treatment to provide additional support to weakened or damaged tissue. The Target Company submitted the application for the NMPA registration for hernia patch in March 2021.
- (2) Biological dressing is mainly used to repair skin defects of patients with burns and scalds. The clinical trial patient enrollment and follow-up evaluation for biological dressing have been completed. The Target Company expects to submit the NMPA registration application for biological dressing in February 2022.
- (3) Oral cavity repair membrane using biomedical materials in clinical treatment of stomatology is mainly used for repairing soft tissue defects in oral cavity. The clinical trial patient enrollment for oral cavity repair membrane has been completed and approximately 65% patient follow-up evaluation has been completed. The Target Company expects to submit the NMPA registration application for oral cavity repair membrane in May 2022.

- (4) Breast tissue patch is mainly used in breast reconstruction and repairing. The clinical trial patient enrollment for breast tissue patch has been completed and approximately 65% patient follow-up evaluation has been completed. The Target Company expects to submit the NMPA registration application for breast tissue patch in December 2022.
 - (5) Injection granules are mainly used for injecting cosmetics and are a kind of micronized heterogeneous acellular dermal matrix. The Target Company submitted the type testing (型式檢驗) for injection granules in November 2021.
 - (6) Biological sponge is mainly used to fill tissue defects. The product has been basically finalized, and the Target Company expects to submit a type testing (型式檢驗) for the biological sponge in June 2022.
- **Potential synergy between the businesses of the Company and the Target Company.** As a leading medical device company with strong R&D capabilities and well-established distribution networks, the Company is committed to exploring fast-growing and high-margin segments of China's medical device and related industries in order to maintain the competitive edge in the market in the present and future. As an innovative biotechnology company specializing in the R&D of regenerative medical biomaterials in China, the Target Company's current R&D facilities and expertise are deemed a valuable complement to the Company's current R&D capacities and product pipelines.

As the Company is a leading medical device company in the PRC, the Company believes that the acquisition of the Target Company could create a synergic momentum for the Company to consolidate the resources of the Target Company in order to maintain the Company's leading market positions and realize rapid growth in the future. In particular, the Company would be able to expand its core business by leveraging the Target Company's existing R&D capacities to develop and offer one or more new pipelines of medical device. At the same time, the combined scale of the Company and the Target Company could help reduce costs, optimize spending, broaden market exposure and improve bargaining power with distributors, customers and suppliers.

Based on the above, the Directors believe that the terms of the Share Transfer Agreement and Share Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF SHARE TRANSFER AND THE SHARE SUBSCRIPTION

Upon the completion of the Share Transfer and the Share Subscription, the Target Company will become a non-wholly owned subsidiary of the Company, and the results, assets and liabilities of the Target Company will be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Share Transfer and the Share Subscription is more than 25% and less than 100%, the Share Transfer and the Share Subscription constitute major transactions of the Company under Rule 14.06 of the Listing Rules and are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

None of the Directors has a material interest in the Share Transfer and the Share Subscription and none of them is required to abstain, or has abstained, from voting on the relevant board resolutions approving the Share Transfer Agreement and the Share Subscription Agreement and the transactions contemplated thereunder. The EGM will be convened for the Shareholders to consider and, if thought fit, to approve the Share Transfer Agreement and the Share Subscription Agreement and the transactions contemplated thereunder. 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 Share Transfer Agreement and the Share Subscription Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, further information on the Share Transfer Agreement and the Share Subscription Agreement and the transactions contemplated thereunder, together with the notice of EGM, will be published and despatched to the Shareholders. It is expected that the circular will be despatch on or before January 28, 2022.

The Shareholders and potential investors should note that the completion of the Share Transfer and the Share Subscription are subject to, among other things, approval by the Shareholders and the satisfaction of the terms and conditions under the Share Transfer Agreement and the Share Subscription Agreement. There is no assurance that the Share Transfer and the Share Subscription will proceed. Accordingly, the Shareholders and potential investors are reminded to exercise caution when dealing with the Shares.

BASIS OF THE DETERMINATION OF THE CONSIDERATION AND THE TARGET COMPANY VALUATION

In preparing the pre-money appraised value of the 100% equity interest of the Target Company, the Independent Valuer has applied the discounted cash flow method under the income approach and based on certain assumptions, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, and the requirements under Rule 14.62 of the Listing Rules are therefore applicable.

Details of the principal assumptions of the Target Company Valuation are as follows:

- The Target Company Valuation was primarily based on the financial projections prepared by the Target Company with reference to the market research reports compiled by the reputable market consultants and latest historical financial information made available to the Valuer. It is assumed that the financial projections provided are prepared on a reasonable basis, reflecting aspects of the individual R&D projects, including but not limited to, market conditions, economic fundamentals, expected success rates, market shares to be achieved, selling prices, and costs of sales and operations of each of the R&D projects after their respective commercialization, and that they will materialize;
- The Target Company have, or will have, sufficient capital, competent management and sufficient personnel, as well as sufficient facilities and systems for future expansion, to achieve or contribute to ongoing R&D and future commercialization;
- There will be no material change in the core operations of the Target Company from what is present and/or expected;
- All relevant laws, statutes, ordinances and regulations pertaining to the Target Company are complied with and where applicable, renewable upon expiry;
- The operational and contractual terms stipulated in the contracts and agreements associated with the R&D projects and/or the Target Company will be honored;
- There are no hidden or unexpected conditions associated with the R&D projects and/or the Target Company that might adversely affect the reported values; and
- There will be no material change in the existing political, legal, technological, fiscal or economic conditions from present and/or from what is expected, which might adversely affect the business of the Target Company.

The Independent Valuer also assumed the accuracy of the financial and operational information provided by the Company and relied to a considerable extent on such information in arriving at their conclusion of value.

The Board has reviewed the key assumptions upon which the profit forecast was based and is of the view that the profit forecast was made after due and careful enquiry.

BDO Limited has been engaged by the Company to review the arithmetical calculation and compilation of the discounted future estimated cash flows upon which the Target Company Valuation prepared by the Independent Valuer was based.

A letter from the Board and a report from BDO Limited are included in the appendices to this announcement for the purposes of Rules 14.60A and 14.62 of the Listing Rules. The following are the qualifications of the Independent Valuer and BDO Limited:

EXPERTS AND CONSENTS

The qualifications of the experts who have given their opinion and advice in this announcement are as follows:

Name	Qualification
BDO Limited	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent Professional Valuer

Each of the Independent Valuer and BDO Limited has given and has not withdrawn its respective written consent to the publication of this announcement with inclusion of its report/letter and all references to its name (including its qualifications) in the form and context in which they are included.

To the best knowledge, information and belief of the Board and having made all reasonable enquiries, each of the Independent Valuer and BDO Limited is a third party independent of the Group and is not a connected person of the Group. As at the date of this announcement, neither the Independent Valuer nor BDO Limited has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person(s) to subscribe for securities in any member of the Group.

As at the date of this announcement, neither the Independent Valuer nor BDO Limited had any direct or indirect interests in any assets which have been, since December 31, 2020 (the date to which the latest published annual results of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

DEFINITIONS

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

“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
“Closing Date”	the date of the completion of the Share Transfer and Share Subscription

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“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 Share Transfer Agreement and the Share Subscription Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries from time to time
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Minority Investors”	Ningbo Fengkai Enterprise Management Partnership (Limited Partnership) (寧波豐楷企業管理合夥企業(有限合夥)) and Xi’an Jiaoda Siyuan Puhui Investment Partnership (Limited Partnership) (西安交大思源普惠投資合夥企業(有限合夥))
“Independent Valuer”	the independent professional valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited
“Individual Vendors”	Huaimin Yang (楊懷民), Wenquan Sun (孫文全), Xin Wang (王忻) and Luchan Ye (葉綠嬋)
“Institutional Vendors”	Hainan Ruijian Enterprise Management Partnership (Limited Partnership) (海南瑞健企業管理合夥企業(有限合夥)) and Dongguan Gaohua No. 1 Investment Partnership (Limited Partnership) (東莞高樺一號投資合夥企業(有限合夥))
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“NMPA”	National Medical Products Administration (國家藥品監督管理局)
“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”	Medfusion Investment Limited, a limited company incorporated under the laws of Hong Kong on September 9, 2021 (an indirect wholly-owned subsidiary of the Company)

“Remaining Target Company Shareholders”	Wenquan Sun (孫文全), Luchan Ye (葉綠嬋), Hainan Ruijian Enterprise Management Partnership (Limited Partnership) (海南瑞健企業管理合夥企業(有限合夥))
“RMB”	Renminbi, the lawful currency of the PRC
“R&D”	research and development
“Share Transfer”	the share transfer under the Share Transfer Agreement in relation to the Purchaser’s acquisition of 51.5% equity interest in the Target Company (representing approximately 41.2% of the issued share capital of the Target Company as enlarged by the share subscription contemplated under the Share Subscription Agreement)
“Share Transfer Agreement”	the share transfer agreement entered into between the Purchaser, the Target Company and the Vendors on January 5, 2022 in relation to the Share Transfer
“Share Subscription”	the share subscription under the Share Subscription Agreement in relation to the Purchaser’s subscription of 17% enlarged issued share capital of the Target Company
“Share Subscription Agreement”	the share subscription agreement entered into between the Purchaser, the Vendors, the Independent Minority Investors and the Target Company on January 5, 2022 in relation to the Share Subscription and the share subscription by the Independent Minority Investors
“Shareholder(s)”	shareholder(s) of the Company
“Shareholders’ Agreement”	the shareholders’ agreement entered into between the Purchaser, the Independent Minority Investors, the Remaining Target Company Shareholders and the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Beijing Ruijian High-Tech Biological Technology Co., Ltd (北京瑞健高科技生物科技股份有限公司), a limited liability company incorporated in the PRC on February 5, 2013
“Target Company Valuation”	the pre-money appraised value of the Target Company of approximately RMB808,000,000 as at the Valuation Date
“Valuation Date”	September 30, 2021

“Vendors”

Individual Vendors and Institutional Vendors, including Huaimin Yang (楊懷民), Wenquan Sun (孫文全), Xin Wang (王忻), Luchan Ye (葉綠嬋), Hainan Ruijian Enterprise Management Partnership (Limited Partnership) (海南瑞健企業管理合夥企業(有限合夥)), and Dongguan Gaohua No. 1 Investment Partnership (Limited Partnership) (東莞高樺一號投資合夥企業(有限合夥))

“%”

per cent

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

Hong Kong, January 5, 2022

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

APPENDIX I — LETTER FROM THE BOARD

January 5, 2022

The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square,
8 Connaught Place, Central, Hong Kong

Dear Sirs/Madams,

Major Transactions — Acquisition of 58.2% Equity Interest in the Target Company

We refer to the valuation dated January 5, 2022 appraised by the Independent Valuer regarding the valuation of the 58.2% equity interest in the Target Company as at September 30, 2021, which constitutes profit forecasts under Rule 14.61 of the Listing Rules.

We have discussed with the Independent Valuer about different aspects including the bases and assumptions based upon which the valuation has been prepared, and reviewed the valuation for which the Independent Valuer is responsible. We have also considered the report from BDO Limited regarding whether the profit forecasts, so far as the calculations are concerned, have been properly complied with the bases and assumptions set out in the valuation report. We have noted that the profit forecasts in the valuation are mathematically accurate and the discounted cash flows will not be affected by accounting policies.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, the Board of the Company confirmed that the valuation prepared by the Independent Valuer has been made after due and careful enquiry.

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

APPENDIX II — INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF BEIJING RUIJIAN HIGH-TECH BIOLOGICAL TECHNOLOGY CO., LTD

To the board of directors of PW Medtech Group Limited

We have completed our assurance engagement to report on the calculations of the discounted future estimated cash flows on which the business valuation (the “Valuation”) dated January 5, 2022 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited in respect of the appraisal of the fair value of the entire equity interest in Beijing Ruijian High-Tech Biological Technology Co., Ltd. (“Beijing Ruijian”) as at September 30, 2021 is based. The Valuation is prepared based on the discounted future estimated cash flows and is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

DIRECTORS’ RESPONSIBILITIES

The directors of PW Medtech Group Limited (the “Directors”) are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the Directors and as set out in the Valuation (the “Bases and Assumptions”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

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 Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our 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 report, as required by Rule 14.62(2) of the Listing Rules, on the calculations of the discounted future estimated cash flows on which the Valuation is based.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable

assurance as to whether the discounted future estimated cash flows, so far as the arithmetical accuracy of the calculations is concerned, have been properly compiled in accordance with the Bases and Assumptions. We performed procedures on the arithmetic calculations and the compilations of the discounted future estimated cash flows in accordance with the Bases and Assumptions. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

OPINION

In our opinion, based on the foregoing, so far as the arithmetical accuracy of the calculations is concerned, the discounted future estimated cash flows have been properly compiled in accordance with the Bases and Assumptions adopted by the Directors as set out in the Valuation.

OTHER MATTERS

Without modifying our opinion, we draw your attention that we are not reporting on the appropriateness and validity of the Bases and Assumptions on which the discounted future cash flows are based and our work does not constitute any valuation of Beijing Ruijian or an expression of an audit or review opinion on the Valuation.

The preparation of the discounted future estimated cash flows on which the Valuation is based does not involve the adoption of accounting policies. The discounted future cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other party in respect of, arising out of or in connection with our work.

BDO Limited

Certified Public Accountants

Hong Kong, January 5, 2022