

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.*



## **LIFETECH SCIENTIFIC CORPORATION**

**先健科技公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8122)**

- (1) DISPOSAL OF SHARES BY SUBSTANTIAL SHAREHOLDER,  
(2) CONNECTED TRANSACTION IN RELATION TO THE  
ISSUANCE AND SUBSCRIPTION OF CONVERTIBLE NOTES,  
(3) CONTINUING CONNECTED TRANSACTIONS IN RELATION  
TO THE DISTRIBUTION AGREEMENT AND  
THE SERVICES AGREEMENT,  
(4) SPECIFIC MANDATE TO ISSUE THE CONVERSION SHARES,  
AND  
(5) RESUMPTION OF TRADING**

The Board is pleased to announce that Medtronic, the Company and PerMed have entered into a series of agreements as part of a long-term strategic transaction between the parties.

## **DISPOSAL OF SHARES TO MEDTRONIC**

The Company has been informed by Orchid Asia, a Substantial Shareholder of the Company, that it has, on 14 October 2012, entered into the Share Purchase Agreement with Medtronic pursuant to which Orchid Asia agreed to sell and Medtronic agreed to purchase 95,000,000 Shares, representing 19.00% of the issued share capital of the Company as at the date of this announcement, to Medtronic for a consideration of HK\$361,000,000 at HK\$3.80 per Share.

Completion of the Share Purchase is expected to take place simultaneously with the completion of the First Tranche Convertible Notes under the Investment Agreement. Upon completion of the Share Purchase, Orchid Asia will cease to be a substantial shareholder of the Company and Medtronic will become a substantial shareholder of the Company.

## **CONVERTIBLE NOTES**

On 14 October 2012, Medtronic entered into the Investment Agreement with the Company, pursuant to which Medtronic has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the First Tranche Convertible Notes in the principal amount of HK\$152,000,000 and the Second Tranche Convertible Notes in the principal amount of HK\$2,031,428,574, subject to the terms and conditions of the Investment Agreement.

Assuming full conversion of the Convertible Notes at the Conversion Price, the First Tranche Convertible Notes will be convertible into 40,000,000 new Shares and the Second Tranche Convertible Notes will be convertible into 338,571,429 new Shares.

An ordinary resolution will be proposed at the EGM to seek, among other things, a specific mandate for the allotment and issue of the Conversion Shares. No application will be made for the listing of the Convertible Notes. An application will be made to the Stock Exchange for the listing of and permission to deal with the Conversion Shares.

## **DISTRIBUTION AGREEMENT AND SERVICES AGREEMENT**

In conjunction with the Share Purchase and the Investment Agreement, on 14 October 2012, Medtronic has entered into the Distribution Agreement with the Company and PerMed in relation to the global distribution of the Company's products through Medtronic's extensive sales network. On 14 October 2012, Medtronic and the Company have entered into the Services Agreement for the provision of consulting services with respect to the Group's operational, quality systems and product development processes as part of the Transaction. The transactions contemplated under the Distribution Agreement and the Services Agreement would constitute continuing connected transactions for the purposes of the GEM Listing Rules and will be subject to approval of the Independent Shareholders.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 12 October 2012 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 1:00 p.m. on 15 October 2012.

## **DISPOSAL OF SHARES TO MEDTRONIC**

The Company has been informed by Orchid Asia, a substantial shareholder, that it has, on 14 October 2012, entered into the Share Purchase Agreement with Medtronic pursuant to which Orchid Asia agreed to sell and Medtronic agreed to purchase 95,000,000 Shares, representing approximately 19.00% of the issued share capital of the Company as at the date of this announcement, to Medtronic for a consideration of HK\$361,000,000 at HK\$3.80 per Share.

Completion of the Share Purchase is expected to take place simultaneously with the completion of the First Tranche Convertible Notes under the Investment Agreement. Upon completion of the Share Purchase, Orchid Asia will cease to be a substantial shareholder of the Company and Medtronic will become a substantial shareholder of the Company.

The Company intends to enter into a strategic alliance with Medtronic and entered into with Medtronic (1) the Investment Agreement for the issuance of the Convertible Notes to Medtronic, (2) the Distribution Agreement for the appointment by PerMed of Medtronic as its exclusive distributor of the Products, and (3) the Services Agreement for the provision of consulting services by Medtronic to the Company. Major terms of the Investment Agreement and the Convertible Notes, the Distribution Agreement and the Services Agreement are set out below.

## **INVESTMENT AGREEMENT**

### **Subscription for the Convertible Notes**

Pursuant to the Investment Agreement, Medtronic conditionally agreed to subscribe for, and the Company conditionally agreed to issue to Medtronic, the First Tranche Convertible Notes on the First Tranche Completion Date and the Second Tranche Convertible Notes on the Second Tranche Completion Date.

#### **Date:**

14 October 2012

#### **Parties:**

- (1) the Company
- (2) Medtronic

#### **First Tranche Conditions**

Completion of the issuance by the Company of, and the subscription by Medtronic for, the First Tranche Convertible Notes is conditional upon the fulfillment of the following:

- (a) the current listing of the Shares on the Stock Exchange not having been withdrawn and the Shares continuing to be traded on the Stock Exchange at all times (except for the suspensions of trading required under the GEM Listing Rules and which, in each occasion, does not last more than five consecutive trading days or any suspension of trading in connection with the Investment Agreement and the transactions contemplated thereunder) from the date of the Investment Agreement to the First Tranche Completion Date;
- (b) the listing of, and permission to deal in, all the Conversion Shares being granted by the Listing Committee and not having been revoked prior to the First Tranche Completion Date;

- (c) the passing by the requisite majority required under the GEM Listing Rules of the Shareholders at a general meeting (excluding any Shareholders who are not entitled to vote by reason of applicable provisions in the GEM Listing Rules) of a resolution for the approval of the Company's entering into of each of the CCT Agreements, issuing of the Convertible Notes and the Conversion Shares, and such other resolutions reasonably considered necessary or desirable in the context of applicable laws and regulations by any of the parties for the implementation of the transactions contemplated thereunder (such satisfaction not to be unreasonably withheld or delayed);
- (d) the appointment as non-executive Directors, to take effect from the First Tranche Completion Date, of up to two persons as Medtronic may nominate in writing within ten business days from the date of the Investment Agreement by the passing of relevant resolutions by the Board;
- (e) the completion of the Share Purchase;
- (f) neither Medtronic nor the parties acting in concert with it would be required to make any general offer to acquire any Shares from other Shareholders as a result of the First Tranche Completion, the completion of the Share Purchase Agreement and/or any completion thereunder;
- (g) Medtronic having provided written notice of its intention to the Company to subscribe for the First Tranche Convertible Notes;
- (h) all consents, registration, filings, confirmations, clearances, rulings and decisions by the authorities or the bankers or creditors of the Company, or any other third party that are necessary or appropriate for or in connection with the transactions contemplated under the Transaction Agreements having been obtained;
- (i) no notice, order, judgment, action or proceeding of any person having been served, issued, made or filed which restrains, prohibits or makes unlawful, or which seeks to restrain, prohibit or make unlawful, any transaction contemplated by the Transaction Agreements or which is likely to materially and adversely affect the right of the Investor either to own the legal and beneficial title to the Convertible Notes and the Conversion Shares, free from Encumbrances, or to exercise its rights under the Transaction Agreements;

- (j) the warranties, representations and/or undertakings given or made by the Company under the Investment Agreement remaining true and accurate in all material respects and not misleading in any respect;
- (k) no Material Adverse Effect (or Change) has occurred on or before the First Tranche Completion Date; and
- (l) Medtronic having received a legal opinion, in a form satisfactory to Medtronic, issued by the legal counsel to the Company on Cayman Islands law acceptable to Medtronic and addressed to Medtronic stating, among other things, that the Investment Agreement and any documents contemplated thereunder have been duly executed by, and are binding and enforceable against, the Company.

The Company shall use reasonable endeavours to procure the fulfillment of all the First Tranche Conditions. If any of the First Tranche Conditions has not been fulfilled or (in respect of (a), (b), (d), (e), (f), (g), (h), (i), (j), (k) and (l) only) waived by Medtronic on or before 31 December 2012 (or such other date as Medtronic may notify in writing but no later than 15 February 2013), the Investment Agreement shall terminate immediately thereafter and be of no further effect and each party to the Investment Agreement shall not have any claim against or liability or obligation to the other party thereunder save for any antecedent breach.

### **Second Tranche Conditions**

Completion of the issuance by the Company of, and the subscription by the Investor for, the Second Tranche Convertible Notes is conditional upon the fulfillment of the following:

- (a) the completion of the issuance by the Company of, and the subscription by the Investor for, the First Tranche Convertible Notes having taken place;
- (b) Medtronic being satisfied (at its sole discretion) with the results of its due diligence investigations with respect to legal, financial/tax, regulatory, quality aspects and business conditions of the Group in connection with the subscription of the Second Tranche Convertible Notes;
- (c) certain warranties, representations and undertakings given by the Company under the Investment Agreement remaining true and accurate in all respects and not misleading in all material respects as of the Second Tranche Completion Date;

- (d) no Material Adverse Effect (or Change) having occurred on or before the Second Tranche Completion Date; and
- (e) Medtronic being satisfied that the Company and other members of the Group are in compliance with its obligations under the Investment Agreement and the other Transaction Agreements to which it is a party.

The Company shall use reasonable endeavours to procure the fulfillment of all the Second Tranche Conditions set out in (c), (d) and (e) above on the Second Tranche Completion Date. If any of the Second Tranche Conditions has not been fulfilled or waived by Medtronic on or before five years from the First Tranche Completion Date (or such other date as may be agreed by the parties), Medtronic shall be entitled to terminate any subscription of the Second Tranche Convertible Notes immediately thereafter and each party to the Investment Agreement shall not have any claim against or liability or obligation to the other party under the Investment Agreement save for any antecedent breach.

#### **Pre-completion undertakings**

During the period from the date of the Investment Agreement until the completion of the issuance by the Company of, and the subscription by Medtronic for, the First Tranche Convertible Notes, the Company is subject to various pre-completion undertakings as set out in the Investment Agreement, which are customary in transactions of this nature.

#### **Post-first tranche completion undertakings**

From and after the completion of the issuance by the Company of, and the subscription by Medtronic for, the First Tranche Convertible Notes, for so long as Medtronic owns not less than 15% of the total issued share capital of the Company (on a fully diluted and as converted basis), Medtronic shall have the right but not the obligation to nominate a person to be appointed by the Company as the chief operating officer of the Company and all reasonable costs and expenses in connection with such appointment shall be borne by the Company.

For a period of two years from the First Tranche Completion Date, Medtronic undertakes not to dispose of the First Tranche Convertible Note, any Conversion Shares issued thereunder and the Shares acquired under the Share Purchase Agreement, provided that this undertaking shall not apply (i) to any disposal made in connection with any general offer made by a third party pursuant to the Takeovers Code, or (ii) from and after such time as any third party makes or announces a general offer in accordance with the Takeovers Code to acquire a controlling interest in the Company.

From and after the First Tranche Completion and so long as Medtronic holds any Convertible Notes, the Company is subject to various completion undertakings, as set out in the Investment Agreement, which are customary in transactions of this nature.

### **Termination**

Medtronic may terminate the Investment Agreement without further liability to the Company by giving notice in writing to the Company, which notice may be given at any time on or before 6.00 p.m. (Hong Kong time) on the Second Tranche Completion Date, if at any time prior to the completion of the issuances by the Company of, and the subscription by Medtronic for, the First Tranche Convertible Notes or the Second Tranche Convertible Notes:

- (i) the Company commits or has committed any breach of or omits or fails or has omitted or failed to comply with any of its obligations or undertakings expressed to be assumed by it under the Investment Agreement or the transactions contemplated therein in any aspect, which breach, omission or failure is not rectified by the Company within five Business Days from the date of receipt of a request from Medtronic of rectification of such breach, omission or failure;
- (ii) any of the warranties, representations and/or undertakings given or made by the Company under the Investment Agreement is not true and accurate or is misleading in any material respect;
- (iii) a Material Adverse Effect (or Change) has occurred;
- (iv) the Shares cease to be listed and traded (except for suspensions of trading required under the GEM Listing Rules and which, in each occasion, does not last more than five consecutive trading days) on the Stock Exchange;



- (v) the Stock Exchange indicates that the listing of the Shares on the Stock Exchange may be withdrawn following completion of the issuance by the Company of, and the subscription by Medtronic for, the First Tranche Convertible Notes or the Second Tranche Convertible Notes;
- (vi) any of the consents, registration, filings, licenses, confirmations, clearances, rulings or decisions by the authorities or the bankers or creditors of any member of the Group, or any other third-party that are material for or in connection with the transactions contemplated under this Agreement are not obtained, or if obtained, are revoked;
- (vii) any notice, order, judgment, action or proceeding is served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated in the Investment Agreement or which is likely to materially and adversely affect the right of Medtronic to own the legal and beneficial title to the Convertible Notes, free from encumbrances;
- (viii) the termination of the Share Purchase in accordance with its terms; or
- (ix) at the general meetings of the Company held pursuant to item (c) of the First Tranche Conditions as set out above, any of the relevant resolutions referred to therein were not passed by the requisite majority of the Shareholders as prescribed under those relevant provisions.

**Principal terms of the First Tranche Convertible Notes**

Issuer:	The Company
Subscriber:	Medtronic
Principal amount:	HK\$152,000,000
Interest rate:	1.0% per annum, compounded annually
Maturity date:	The date being the fifth anniversary of the date of issue of the First Tranche Convertible Notes
Conversion rights:	The Noteholder may exercise the right to convert the whole or part of the principal amount of the First Tranche Convertible Notes into the Conversion Shares at any time on or after the date of issue of the First Tranche Convertible Notes up to the close of business on the maturity date above

Conversion price: HK\$3.80, subject to adjustment for inter alia customary anti-dilution events, including an alteration in the capital structure of the Company, whether by way of capitalisation of profits or reserves, bonus issue, rights issue, issue of shares by way of a scrip dividend, grant of share options or issue of shares pursuant thereto, open offer, sub-division, consolidation, reclassification, subdivision or redenomination of shares, reduction of capital of the Company in accordance with applicable laws and regulatory requirements, issues of shares at less than current market price, or otherwise

The conversion price of HK\$3.80 per Conversion Share under the First Tranche Convertible Notes was arrived at after arm's length negotiation between the Company and Medtronic represents:

- (a) a discount of approximately 23.69% to the closing price of HK\$4.98 per Share as quoted on the Stock Exchange on 11 October 2012, being the last trading day immediately before the entering into of the Investment Agreement; and
- (b) a discount of approximately 22.95% to the average of the closing prices of HK\$4.932 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to 11 October 2012.

Redemption: Unless previously redeemed, converted or purchased and cancelled, the Company shall pay each First Tranche Convertible Note on the maturity date at its principal amount together with accrued and unpaid interest thereon. Following the occurrence of specific events as defined in the terms and conditions of the First Tranche Convertible Notes, the Noteholder will have the right at such his option, to require the Company to redeem all, or only some, of such holder's First Tranche Convertible Notes at a price equal to their principal amount and interest accrued to the date fixed for redemption

Transferability:	The First Tranche Convertible Notes may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number) which is an affiliate of the Company
Listing:	No application will be made for the listing of, or permission to deal in the First Tranche Convertible Notes on the Stock Exchange or any other exchange. An application will be made to the Listing Committee for the listing of, and permission to deal in the Conversion Shares that may be issued upon the conversion of the Convertible Notes
Ranking of the Conversion Shares:	The Conversion Shares will rank pari passu in all respects with the other Shares in issue as at the First Tranche Completion Date, including the right to vote and to participate in all dividends and other distributions declared, made or paid at any time after the First Tranche Completion Date
Events of default:	If an event of default (as specified under the terms and conditions to the First Tranche Convertible Notes) occurs and is continuing, a Noteholder may give notice to the Company that the First Tranche Convertible Notes are immediately due and repayable at their principal amount together with accrued interest

### **Principal terms of the Second Tranche Convertible Notes**

Issuer:	The Company
Subscriber:	Medtronic
Principal amount:	HK\$2,031,428,574
Interest rate:	1.0% per annum
Maturity date:	The date being the fifth anniversary of the date of issue of the First Tranche Convertible Notes

Conversion rights:

The Noteholder may exercise the right to convert the whole or part of the principal amount of the Second Tranche Convertible Notes into the Conversion Shares at any time on or after the date of issue of the Second Tranche Convertible Notes up to the close of business on the Second Tranche maturity date. Upon exercise, if the applicable Conversion Price (as described below) is greater than the Initial Conversion Price (as defined below), the number of Shares to be issued on exercise will notwithstanding be calculated based on the Initial Conversion Price, but the Noteholder will, in connection with such exercise, pay to the Company an amount per Share equal to the amount of such difference. Upon exercise, if the applicable Conversion Price is lower than the Initial Conversion Price, the number of Shares to be issued on exercise will notwithstanding be calculated based on the Initial Conversion Price, but the Company will, in connection with such exercise, pay to the Noteholder an amount per Share equal to the amount of such difference

Conversion Price:

HK\$6.00 (the “**Initial Conversion Price**”), subject to adjustment for inter alia customary anti-dilution events, including an alteration in the capital structure of the Company, whether by way of capitalisation of profits or reserves, bonus issue, rights issue, issue of shares by way of a scrip dividend, grant of share options or issue of shares pursuant thereto, open offer, sub-division, consolidation, reclassification, subdivision or redenomination of shares, reduction of capital of the Company in accordance with applicable laws and regulatory requirements, issues of shares at less than current market price, or otherwise; the Initial Conversion Price is also subject to adjustment as described below

The Initial Conversion Price of HK\$6.00 per Conversion Share was arrived at after arm’s length negotiation between the Company and Medtronic represents:

- (a) a premium of approximately 20.48% to the closing price of HK\$4.98 per Share as quoted on the Stock Exchange on 11 October 2012, being the last trading day immediately before the entering into of the Investment Agreement; and
- (b) a premium of approximately 21.65% to the average of the closing prices of HK\$4.932 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to 11 October 2012.

Adjustment of  
conversion price

The Initial Conversion Price shall be adjusted to the following price (the “**Conversion Price**”), as applicable:

- (a) Floating Conversion Price: if either of the following has occurred:
  - (i) the aggregate turnover of the Group for any given consecutive 12-calendar month period is not less than US\$75 million, or
  - (ii) one of the product development milestones as specified in the Investment Agreement having been achieved,

the Conversion Price shall be the higher of:

- (1) the volume-weighted average of the closing price of the Shares as quoted on the Stock Exchange website on all the trading days falling in the six months up to and including the date immediately prior to the date of the notice by the Noteholder to subscribe for the Second Tranche Convertible Notes under the Investment Agreement; or
- (2) HK\$4.56 per Share representing 120% of the conversion price under the First Tranche Convertible Notes; or

(b) in the absence of satisfaction of the conditions under paragraph (a) above, the Conversion Price shall be the higher of (i) HK\$8.00 per Share or (ii) the Floating Conversion Price determined under paragraph (a) above

**Redemption:** Unless previously redeemed, converted or purchased and cancelled, the Company shall pay each Second Tranche Convertible Note on the maturity date at its principal amount together with accrued and unpaid interest thereon. Following the occurrence of specific events as defined in the terms and conditions of the Convertible Notes, the Noteholder will have the right at such his option, to require the Company to redeem all, or only some, of such holder's Second Tranche Convertible Notes at a price equal to their principal amount and interest accrued to the date fixed for redemption

**Transferability:** The Second Tranche Convertible Notes may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number) which is an affiliate of the Company

**Listing:** No application will be made for the listing of, or permission to deal in the Second Tranche Convertible Notes on the Stock Exchange or any other exchange. An application will be made to the Listing Committee for the listing of, and permission to deal in the Conversion Shares that may be issued upon the conversion of the Second Tranche Convertible Notes

**Ranking of the Conversion Shares:** the Conversion Shares will rank pari passu in all respects with the other Shares in issue as at the Second Tranche Completion Date, including the right to vote and to participate in all dividends and other distributions declared, made or paid at any time after the Second Tranche Completion Date

Events of default: If an event of default (as specified under the terms and conditions to the Second Tranche Convertible Notes) occurs and is continuing, a Noteholder may give notice to the Company that the Second Tranche Convertible Notes are immediately due and repayable at their principal amount together with accrued interest

### **Conversion Shares**

Assuming full conversion of the Convertible Notes at the Conversion Price, the First Tranche Convertible Notes will be convertible into 40,000,000 new Shares and the Second Tranche Convertible Notes will be convertible into 338,571,429 new Shares.

An ordinary resolution will be proposed at the EGM to seek, among other things, a specific mandate for the allotment and issue of the Conversion Shares. No application will be made for the listing of the Convertible Notes. An application will be made to the Stock Exchange for the listing of and permission to deal with the Conversion Shares.

### **Use of proceeds and fund raising activities in the past 12 months**

The net proceeds from the Company's issue of new shares at the time of its listing in November 2011, after deduction of related expenses, amounted to approximately HK\$156.6 million. As at 10 August 2012, the Company has utilized approximately HK\$1.7 million for enhancing market position of core cardiovascular and peripheral vascular devices in key emerging markets; HK\$10.2 million for continuing to develop and commercialize pipeline products; HK\$1.7 million for expansion into key international markets with current and pipeline products and HK\$9.5 million for expansion into complementary product offers and pursue acquisitions, partnerships, alliances and licensing opportunities. The Company intends to use the remaining net proceeds for the acquisition of land in Nanshan District and the Directors estimate that the relevant government approval will be obtained within 2012. Save for the above, there has been no other fund raising activities engaged by the Company during the past 12 months preceding the date of this announcement.

The gross proceeds of HK\$2,183,428,574 from the issue of the Convertible Notes shall be used for general corporate purposes.

## Effect of full conversion of the Convertible Notes

For illustration purpose, set out below are changes to the shareholding structures of the Company (i) upon completion of the Share Purchase; (ii) immediately after full conversion of the First Tranche Convertible Notes and (iii) immediately after full conversion of the Second Tranche Convertible Notes (assuming that there is no change in the issued share capital of the Company other than the issue of the Conversion Shares since the date of the Investment Agreement up to the date of the full conversion of the First Tranche Convertible Notes and the Second Tranche Convertible Notes):

Name of Shareholder	Notes	As at the date of this announcement <sup>1</sup>		Upon completion of the Share Purchase		Upon full conversion of the First Tranche Convertible Notes		Upon full conversion of the Second Tranche Convertible Notes <sup>8</sup>	
		No. of Shares held	Approx. %	No. of Shares held	Approx. %	No. of Shares held	Approx. %	No. of Shares held	Approx. %
Medtronic	2	Nil	Nil	95,000,000	19.00%	135,000,000	25.00%	473,571,429	51.00%
Xianjian Advanced Technology Limited	3, 5	101,540,962	20.31%	101,540,962	20.31%	101,540,962	18.80%	101,540,962	10.94%
GE Asia Pacific Investment Ltd	4, 5	87,883,332	17.58%	87,883,332	17.58%	87,883,332	16.27%	87,883,332	9.46%
St. Christopher Investment Ltd	6	13,583,333	2.72%	13,583,333	2.72%	13,583,333	2.52%	13,583,333	1.46%
Orchid Asia III	7	98,650,618	19.73%	3,650,618	0.73%	3,650,618	0.68%	3,650,618	0.39%
Public shareholders		198,341,755	39.67%	198,341,755	39.67%	198,341,755	36.73%	198,341,755	21.36%
Employees		0	0.00%	0	0.00%	0	0.00%	50,000,000	5.38%
<b>Total</b>		<b><u>500,000,000</u></b>	<b><u>100%</u></b>	<b><u>500,000,000</u></b>	<b><u>100%</u></b>	<b><u>540,000,000</u></b>	<b><u>100.00%</u></b>	<b><u>928,571,429</u></b>	<b><u>100.00%</u></b>
						<b>Conversion Shares</b>	<b>40,000,000</b>	<b>Conversion Shares</b>	<b>338,571,429</b>

### Notes:

1. It is assumed that no other Shares will be issued by the Company to any person from the date of this announcement to the date on which the First Tranche Convertible Notes and the Second Tranche Convertible Notes are fully exercised.
2. Under the Share Purchase Agreement and the Investment Agreement, Medtronic will acquire 51% of the enlarged issued share capital of the Company upon completion of the transactions contemplated thereunder.
3. Xianjian Advanced Technology Limited is a company wholly owned by Mr. Xie Yuehui, the chairman and an executive director of the Company.
4. GE Asia Pacific Investment Ltd is a company wholly owned by Mr. Wu Jianhui, a non-executive director of the Company.
5. Xianjian Advanced Technology Limited and GE Asia Pacific Investment Ltd are parties acting in concert.



6. St. Christopher Investment Ltd is a company wholly owned by Mr. Zhao Yiwei Michael, the chief executive officer and an executive director of the Company.
7. Orchid Asia III is controlled by OAIII Holdings, L.P., which is in turn controlled by Orchid Asia and is ultimately controlled by The Li 2007 Family Trust. The Li 2007 Family Trust is a BVI discretionary trust established by Ms. Lam Lai Ming, spouse of Mr. Li Gabriel as settlor and Managecorp Limited as trustee. The beneficiaries of The Li 2007 Family Trust include family members of Ms. Lam Lai Ming and Mr. Li Gabriel. Mr. Li Gabriel is a non-executive director of the Company as at the date of this announcement.
8. The relevant percentages are calculated on the assumption that 50,000,000 Shares (representing 10% of the then issued share capital of the Company) are allotted and issued pursuant to the options to be granted under the Share Option Scheme.

## **CONTINUING CONNECTED TRANSACTIONS**

### **DISTRIBUTION AGREEMENT**

#### **Date:**

14 October 2012

#### **Parties**

- (1) the Company
- (2) PerMed
- (3) Medtronic

#### **Term**

The Distribution Agreement shall be effective for five years from the First Tranche Completion Date or so long as Medtronic holds at least 15% of the share capital of the Company, whichever is longer. Thereafter, the Distribution Agreement shall, unless terminated pursuant to the terms of the Distribution Agreement or a six-month advance notice of non-renewal is served by either party, be automatically renewed for additional periods of not more than three years each.

## **Supply and Exclusive Distribution**

Pursuant to the Distribution Agreement, PerMed appointed Medtronic as the exclusive distributor of PerMed with the exclusive right to advertise, promote, market, distribute and sell the Products worldwide.

The exclusive distributorship may be changed to non-exclusive upon advance notice of PerMed if, subsequent to the First Tranche Completion Date, Medtronic or its affiliates hold, in aggregate, less than fifteen percent (15%) of the share capital of the Company.

Actual distribution of a specific Product will not commence until the applicable regulatory approval has been obtained by PerMed, and Medtronic consents to the commercial release of the relevant Product.

## **Conditions precedent of Medtronic's obligations**

Medtronic's obligations under the Distribution Agreement shall not commence before the date on which all of the following conditions are satisfied (the "**Start Date**"):

- (a) The Investment Agreement and all its ancillary agreements have been duly signed by the relevant parties;
- (b) The existing distributors and sales agents for the Products which are authorized by PerMed directly or through its affiliate as of the First Tranche Completion Date have been transferred to Medtronic or its affiliates;
- (c) PerMed and its affiliates have completed all of the covenants and action items relating to quality systems, process controls, functional testing and verification work regarding tissue and valves to Medtronic's satisfaction, including all of those covenants set forth in the Investment Agreement;
- (d) With respect to the covenants set forth in the Investment Agreement, PerMed have diligently made progress with respect to accomplishing such covenants, and have timely completed those portions of such covenants required to be completed by the Start Date; and
- (e) Certain requirements under the Investment Agreement required to be completed before the Start Date have been completed.

PerMed and its affiliates will, with technical support from Medtronic, use their best efforts to promptly cause the Start Date to occur no later than 1 October 2013.

## **Distribution by PerMed or the Company**

From the Start Date and during the term of the Distribution Agreement, PerMed shall not, by itself or through any of its affiliates or through any other distributor or sales agent, advertise, promote, market, distribute or sell the Products directly or indirectly to customers or enter into any agreement or arrangement for the private labeling of any of the Products or any product that is identical or substantially similar in form or function to any of the Products.

However, before the Start Date, PerMed or the Company may continue the sales activities in respect of the Products, whether through its distributors or sales agent, its affiliates or by itself. PerMed, the Company or any of their affiliates shall not enter into any new distribution or sales agency agreement in respect of the Products without the prior written consent of Medtronic. Existing distribution or sales agency agreements expiring on or before 31 December 2012 may be extended as long as PerMed or the Company has the right to terminate such agreements prior to the Start Date.

In the event that Medtronic is at any time unable to sell the Products in any place because of embargoes, restricted transaction or events of a similar nature, PerMed may, with Medtronic's prior consent, sell the Products in such place.

## **Right of first negotiation**

For a minimum period of five years after the First Tranche Completion Date or for so long as Medtronic or its affiliates are interested in 15% or more in the share capital of the Company, whichever is longer, Medtronic shall have the right of first negotiation, for a period of 90 days, to become the exclusive, worldwide distributor of each and every existing and future cardiac or vascular related product other than heart valves that are developed by, manufactured by, licensed to, owned by or otherwise available to PerMed, the Company or their affiliates as such products become approved for commercial sale and available for distribution in any part of the world. In such circumstances, the parties shall entered into good faith negotiation for the exclusive distribution rights of Medtronic and, if agreed, such distribution rights shall be governed by the terms of the Distribution Agreement.

In the event Medtronic and its affiliates need to engage any third party in China in research and development or manufacturing of any cardiac or vascular related product, the Group shall, to the extent the Group has the necessary competence and capabilities as determined by Medtronic, have a similar right of first negotiation.

## **Product ordering and sale**

Medtronic will order the Products by submitting purchase orders to PerMed. Medtronic shall submit to PerMed quarterly rolling twelve-month forecasts covering its anticipated purchases of the Products and submit any revised forecast 90 days in advance. PerMed shall satisfy all Medtronic orders that are submitted in a manner consistent with the terms of this Agreement. Within the first year and the second year of the term of the Distribution Agreement, PerMed shall satisfy 95% and 98%, respectively, of the orders from Medtronic which is consistent with the relevant annual sales target and the most recent rolling forecast. Thereafter, PerMed shall satisfy 100% of the orders from Medtronic. In case PerMed fails to satisfy such percentages of orders from Medtronic specified above, PerMed shall pay to Medtronic a penalty equal to two times of the costs of the Products that PerMed failed to satisfy.

Medtronic may terminate in whole or in part an order or orders by written notice to PerMed (i) for safety or regulatory reasons as determined by Medtronic's internal analysis, (ii) if, as a result of a force majeure event, PerMed is unable to deliver the ordered Product for more than 45 days, or (iii) if PerMed fails to cure a material breach with respect to the order within 30 days upon Medtronic's written notice.

## **Product discontinuation**

Except for events of force majeure, PerMed shall not discontinue the production a Product within five years from the First Tranche Completion Date or for so long as Medtronic holds at least 15% of the share capital of the Company (whichever is longer). Thereafter, if PerMed intends to stop making a Product, PerMed shall give Medtronic written notice at least three years before the date on which PerMed is planning to stop making a product. In such case, Medtronic shall have the right of first negotiation with PerMed to purchase any assets, know-how and intellectual property necessary for manufacturing and selling the relevant Product. If PerMed and Medtronic fail to reach an agreement in respect of the purchase and PerMed starts negotiating such purchase with any third party, Medtronic shall have the right of first refusal for such purchase under the same financial terms and conditions that such third party has offered to PerMed.

## **Pricing of the Products**

The price of each type of the Products to be purchased by Medtronic under the Distribution Agreement within the first year from the Start Date shall be agreed by the parties in good faith, subject to a maximum price for bovine tissue heart value specified under the Distribution Agreement. The price of the Products purchased by Medtronic in the subsequent year will be determined by a specified formula based on, among other things, the difference between the average price at which such Products are sold by Medtronic to its customers and the price at which the Products are sold by the Company to Medtronic in the previous year.

Medtronic may sell the Products to its customers at such prices as it shall determine at its sole discretion, subject to a maximum price to be agreed by the parties in good faith and any limits under applicable laws in the relevant jurisdiction.

## **Annual Sales target and minimum purchase quantities**

The parties shall agree in good faith, in respect of the first year from the Start Date, a minimum purchase quantity and, in respect of each year thereafter, an annual sales target for each type of the Products that Medtronic shall purchase from PerMed in the relevant year.

## **Product quality**

PerMed shall ensure that the Products comply with the applicable laws, the applicable specifications and the quality requirements under the Distribution Agreement. PerMed shall be responsible for compliance with present and future applicable statutes, laws, ordinances and regulations of national, federal, state and local governments now or hereafter in effect relating to the design, manufacture and/or quality of Products.

## **Non-compete obligations**

Unless otherwise agreed by the Company in writing, Medtronic shall not, during the term of the Distribution Agreement, engage directly or indirectly in any business related to the promotion, distribution or sale of any TAVI product and PAVI product manufactured by a third party in the PRC on the condition that the Group provides a commercially released TAVI product and PAVI product for Medtronic's distribution within 36 months of the First Tranche Completion Date.

Unless otherwise agreed by Medtronic in writing, the Company shall not, during the term of the Distribution Agreement, engage directly or indirectly in any business related to the manufacturing, marketing, promotion, distribution or sale of any heart valve products for human use other than the Products.

### **Medtronic's independent research**

Medtronic may conduct research, develop or commercialize concepts, products or technologies similar to or in competition with any of the Products and any product manufactured or distributed, currently or in future, by the Group. Medtronic shall provide the Company and PerMed notice if such research and development may generate products that could potentially be competitive with products being developed or sold by the Group.

### **Intellectual property rights**

PerMed has granted to Medtronic and its sub-distributors a worldwide, exclusive, non-transferable and royalty-free right and license to use all trademarks, trade names, copyrights and logotypes of PerMed or its affiliates that are on the Products or related labels and materials, or otherwise owned by or licensed to PerMed or its affiliates. Such license shall be used solely in connection with the marketing, sale or other distribution, promotion, advertising and/or maintenance of the Products for so long as Medtronic is authorized to distribute and sell the Products under this Agreement.

PerMed has also granted to Medtronic a non-exclusive, non-transferrable, sub-licensable, worldwide and fully paid license to relevant intellectual property of PerMed necessary for the import, export, use or sale of the Products. Such license may be used by Medtronic only in the case PerMed's failure to supply the Products for accumulatively 60 days and demonstrate its ability to resume supply of such Products within the 30 days that follows.

### **Warranties and representations**

PerMed has made to Medtronic certain warranties and representations including, among other things, that:

- (a) PerMed owns the entire right, title and interest in the intellectual property used or employed by PerMed to design and manufacture the Products without restriction or encumbrance and all intellectual property licensed to Medtronic under the Distribution Agreement; and
- (b) the Products are in compliance with the applicable laws, the applicable specifications and the quality requirements under the Distribution Agreement.

## **Indemnity**

PerMed shall indemnify Medtronic against claims (including product liability claims) arising from PerMed's negligence, violation of applicable laws and breach of the Distribution Agreement (including breach of warranties).

Medtronic shall indemnify PerMed against claims arising from Medtronic's failure in connection with its sales, marketing or distribution of the Products, compliance with the applicable law or Products labeling.

## **Other obligations of Medtronic**

Medtronic shall:

- (a) as the global exclusive distributor, Medtronic shall use commercially reasonable efforts to further the promotion, marketing, sale and other distribution of the Products;
- (b) provide technical support and training for the Products to its customers and sub-distributors;
- (c) use its best efforts to ensure its sub-distributors to maintain records of the Products in reasonable detail to ensure traceability of the Products;
- (d) submit to PerMed sales, inventory, implant registration record and market surveillance data on a quarterly basis or anytime upon PerMed's request;
- (e) submit to PerMed quarterly rolling 12-month forecast covering its anticipated purchases of Products based on the annual sales target, and submit a revised forecast 90 days in advance if Medtronic wishes to revise the forecast.

## **Other obligations of PerMed**

PerMed shall:

- (a) have the capability of producing the necessary quantities of the Products consistent with the annual sales target and the forecast by Medtronic;
- (b) consult with Medtronic of the Product's overall regulatory strategy, provided that PerMed shall have the right to determine the Products' overall regulatory strategy based on its business plan;

- (c) prepare at its expense sales and marketing materials for the Products to be approved by Medtronic, provided that Medtronic may also prepare sales and marketing materials;
- (d) be responsible for obtaining all necessary export licenses and permits and providing Medtronic with procedure manuals and technical training for Medtronic's proper use of the Product and free samples to Medtronic for its distribution efforts;
- (e) comply with Medtronic's business conduct standards and code of conduct; and
- (f) as the product manufacturer shall be responsible for reporting and investigating product complaints and adverse events provided that, as the exclusive distributor of the Product, Medtronic shall have the capacity to directly communicate with customers in such events. Medtronic shall provide PerMed an opportunity to review and comment on any customer communications related to product complaints or adverse events prior to their distribution.

### **Termination**

The Distribution Agreement may be terminated in whole or in part, including on a "per-Product" basis pursuant to its term, including (but not limited to) termination by:

- (a) Medtronic upon written notice to PerMed if the Product is delivered late or is defective for more than six times in any 12-month period;
- (b) Medtronic upon the termination of the Investment Agreement or the Services Agreement, or upon the distribution rights under the Distribution Agreement becoming non-exclusive;
- (c) Medtronic upon a change of control of PerMed or the Company;
- (d) PerMed upon an unacceptable change of control in Medtronic;
- (e) PerMed if Medtronic has committed a material breach of its obligations under the Distribution Agreement including but not limited to, in case Medtronic fails to meet and purchase the annual sales target or the minimum sales quantity under the Distribution Agreement, Medtronic's failure to make up the shortfall within six months upon written notice from PerMed (in such case, the termination shall be limited to the relevant Product only).



## **The Company's guarantee and obligations**

The Company shall procure that PerMed and its affiliates shall duly observe and perform all of its obligations under the Distribution Agreement. If PerMed or its affiliates is in default of payment of any amount payable under the Distribution Agreement, the Company shall upon receiving notice from Medtronic pay all such amounts then payable by PerMed.

## **Annual caps and basis of calculation**

Assuming that the Start Date will commence from 2013, the proposed annual caps for the transactions under the Distribution Agreement for the five years ending 31 December 2013, 2014, 2015, 2016 and 2017 are as follows:

<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
RMB813,000	RMB39,690,000	RMB56,270,000	RMB81,510,000	RMB110,093,000

The above annual caps are calculated based on the estimated quantities of the Products that may be distributed by Medtronic under the Distribution Agreement in China, North America, Europe and other markets, taking into consideration the potential benefits brought by the extensive global sales network of Medtronic, and the enhancement in the quality of the Products as a result of, the consulting services provided by Medtronic pursuant to the Services Agreement with Medtronic.

## **SERVICES AGREEMENT**

### **Date**

14 October 2012

### **Parties**

(1) the Company

(2) Medtronic

### **Term**

Two years from the First Tranche Completion Date

### **The Services**

Pursuant to the Services Agreement, Medtronic will provide the Company with the Services, which comprise, among other things, consultative services with respect to certain internal operations, quality systems and product development processes of the Company.

Medtronic shall provide such competent personnel available to the Company for the time periods specified in the Services Agreement, subject to Medtronic's discretion as to any specified time period in the event the Services relating to such personnel is complete or such personnel is no longer required by the Company. The Company may request for the replacement of any specific personnel provided by Medtronic for reasons of the incompetence of such personnel.

The Services are intended exclusively for use in connection with the business of the Company. The Company shall not re-sell, assign or subcontract any of the Services to any person whatsoever or permit the use of the Services by any person other than the Company in its ordinary course of business.

### **License**

Medtronic will, in the course of the Services, make certain know-how available to the Company. Medtronic granted to the Company the License, strictly for the Company's internal purposes, to any operational, manufacturing, quality and other know-how, and any related materials and documents that Medtronic makes available to the Company.

## **Fees, Royalty and Additional Payment**

### ***Fees for the Services***

The Company shall pay to Medtronic Fees of, in aggregate, US\$5,000,000 for the Services, in five installments:

- (a) first installment of US\$500,000 on the First Tranche Completion Date;
- (b) second installment of US\$500,000 on 1 March 2013;
- (c) third installment of US\$500,000 on 1 October 2013;
- (d) fourth installment of US\$2,500,000 on 1 March 2014; and
- (e) final installment of US\$1,000,000 on 1 October 2014.

### ***Royalty for the License***

The Company shall pay to Medtronic, on a quarterly basis, a Royalty equal to 4% of the incremental sales revenue achieved by the Group, subject to a cumulative cap of RMB300,000,000 provided, however, that, in the event any person other than Medtronic holds an interest of 50% or more in the Shares in the Company, such cumulative cap shall be increased to RMB600,000,000. The Company's obligation to pay the Royalty shall terminate upon Medtronic holding more than 50% in the issued share capital of the Company on a fully-diluted basis.

### ***Additional Payment***

From and after the First Tranche Completion Date and for so long as Medtronic holds any Convertible Notes or has any present or future right to subscribe for any Convertible Notes, the Company shall pay to Medtronic the Additional Payment in the event that any person other than Medtronic holds an interest of 50% or more in the issued share capital of the Company. Notwithstanding the above, if, at the time of the change of control contemplated by the foregoing sentence, Mr. Xie or Mr. Wu is an executive officer, executive director or non-executive director of the Company and any combination of Mr. Xie or Mr. Wu or any persons or entities associated with either of them owns equity interests in the Company that constitute more than 30% of the equity share capital of the Company, and they or any combination of Mr. Xie or Mr. Wu or any persons or entities associated with either of them dispose of any shares to that person resulting in that person acquiring a controlling interest of 50% or more in the Company, then the Company shall be required to make the Additional Payment.

**Term**

Two years from the First Tranche Completion Date

**Third Party Services and Incremental Hires**

The Company shall retain certain third party services and make certain incremental hires for fulfilling its obligations under the Investment Agreement and in connection with the Services. The Company shall contract directly with such third parties and make the necessary incremental hires its own cost. Medtronic shall work and cooperate with such third parties in the performance of the Services. Medtronic may be able to provide services that might otherwise have been provided by a third party. In such event, the Company may engage Medtronic for the provision of such services on appropriate compensation, in addition to the Fees and Royalty, to be agreed in good faith between the Company and Medtronic.

**Service Interruption or Suspension**

Upon reasonable written notice to and subject to the agreement of the Company, Medtronic may temporarily suspend or interrupt the provision of the Services. In case of such interruption, Medtronic may continue to provide off-site supports to the Company to the extent feasible.

**Ownership of Assets**

Any information system, software, computer network, database or file owned, licensed, leased or provided by or for Medtronic which is used by Medtronic or its suppliers on behalf of Medtronic in connection with provision of the Services as modified, maintained or enhanced from time to time by Medtronic or any third party shall remain the sole exclusive property of Medtronic or its suppliers.

**Intellectual Property**

Any intellectual property newly developed in the course of the Services that are not based on or an enhancement to, any existing intellectual property of either the Company or Medtronic shall,

- (a) if developed solely by Medtronic, be owned by Medtronic and included in the License;
- (b) if developed solely by the Company, be owned by the Company, and, pursuant to the Services Agreement, the Company grants a non-exclusive, fully paid, perpetual royalty-free license to Medtronic to such intellectual property;

- (c) if developed by both the Company and Medtronic, be co-owned by the Company and Medtronic on an exclusive basis.

### **Termination**

The Services Agreement may be terminated pursuant to its terms in the case of:

- (a) breach of obligations under the Services Agreement by either party who failed to cure the relevant breach within 30 days of the other party's notice;
- (b) mutual consent of the Company and Medtronic;
- (c) the Company's failure in payment of any uncontested Fees, Royalties or other amount due under the Services Agreement 30 days of the relevant invoice;
- (d) Medtronic's interest in the Shares in the Company, on a fully-diluted basis, (i) falling below 15%, or (ii) rising above 50%;
- (e) the termination of the Distribution Agreement;
- (f) either the Company or Medtronic is declared insolvent or bankrupt, or makes an assignment for the benefit of creditors, or a receiver is appointed or any proceeding is demanded by, for or against the such party; or
- (g) any or all of the transactions contemplated by the Services Agreement being made illegal or other prohibited, or any judgment, decree, injunction or order of any governmental entity prohibiting such transactions being entered and becoming final and non-appealable.

Medtronic may also modify, suspend or terminate any or all of the Services with prior written notice to the Company, to the extent that Medtronic determines in good faith that the provision or use of any of the Services according to the Services Agreement would violate any law or regulation applicable to Medtronic.

Termination shall not affect any right to payment for the Services provided prior to termination and Medtronic's right to the Royalty and the Additional Payment. Certain provisions of the Services Agreement, such as in relation to the ownership of assets, will also survive its termination.

### **Limitation of liability**

The maximum aggregate liability of Medtronic to the Company under the Services Agreement shall not exceed the Fees and the Royalty.

## **Annual caps and basis of calculation**

The annual caps for the transactions under the Services Agreement for the three years ending 31 December 2012, 2013 and 2014 are as follows:

<b>2012</b>	<b>2013</b>	<b>2014</b>
RMB3,740,000	RMB8,700,000	RMB25,250,000

The above annual caps are calculated based on the fixed amounts of the installment payments of the Fees, and the estimated increase in revenue of the Group brought about by the utilisation of the Services and the License as compared to the average quarterly sales revenues for the year ended 2012.

## **SPECIFIC MANDATE FOR THE NEW ISSUE**

As at the date of this announcement, the authorised share capital of the Company is US\$50,000 divided into 5,000,000,000 Shares of US\$0.00001 each, of which 500,000,000 Shares have been issued and are fully paid or credited as fully paid.

At the EGM, a specific mandate will be proposed to approve the New Issue pursuant to Rule 17.39 of the GEM Listing Rules.

In relation to the proposal to approve the specific mandate for the New Issue, the Directors will be authorized to allot and issue the Conversion Shares. The maximum number of Conversion Shares which may be issued and allotted pursuant to the New Issue will represent approximately 75.71% of the Company's current registered issued share capital.

The Directors (excluding the Directors who form part of the Independent Board Committee and whose opinion will be subject to the advice of the independent financial adviser) consider that the proposed specific mandate for the New Issue is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the EGM to approve the New Issue.

## **INFORMATION ON MEDTRONIC**

To the best understanding, knowledge and belief of the Directors, Medtronic is one of the largest medical technology companies based in the United States composed of six main business units which develop and manufacture medical devices and therapies. Medtronic was incorporated under the laws of Minnesota on 23 April, 1957, and its shares are listed on the New York Stock Exchange. To the best knowledge of the Company and as at the date of this announcement, Medtronic is a third party independent of the Company and its connected persons.

## **INFORMATION ON THE COMPANY AND PERMED**

The Company is a developer manufacturer and marketer of advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders. The Group is dedicated to researching, developing, manufacturing and marketing advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders, with a global reach and has subsidiaries in China, Netherlands, India, Russia and France. As a leading medical device company in China with 13 years of history, the Company has built up a strong worldwide sales network, offering a broad range of products to over 30 countries across Asia, Europe, South America, North America and Africa. PerMed is a wholly-owned operating subsidiary of the Group based in Beijing, PRC and engages in the manufacturing of medical devices.

## **REASONS AND BENEFITS OF THE TRANSACTION TO THE COMPANY**

The Company believes that the Transaction will enable the Company and Medtronic to synergize and become a world-class leading provider of cardiovascular products in China and other locations. Medtronic, being a globally recognized and well-regarded market player in the medical devices industry, will bring in technical, operational and management expertise to the Company and further increase its market share in the China medical devices industry upon completion of the Transaction. The Company, being an emerging player in the China medical devices industry, will benefit from the extensive international sales network and cutting edge industry expertise of Medtronic for product development and brand-building. In view of the potential synergies, the Company considers that the Transaction is in the interests of the Company and its Shareholders as a whole.

## **IMPLICATION OF THE TRANSACTION UNDER THE GEM LISTING RULES**

The transactions contemplated under the Transaction Agreements are inter-conditional. Upon completion of the Share Purchase, assuming there is no change in the issued share capital of the Company from the date of the Share Purchase Agreement until completion of the Share Purchase, Medtronic will hold 95,000,000 Shares representing 19% of the issued share capital of the Company and shall therefore become a Substantial Shareholder of the Company and a connected person of the Company for the purposes of the GEM Listing Rules. Accordingly, the transactions under the Investment Agreement and the CCT Agreements will constitute connected transactions under Chapter 20 of the GEM Listing Rules.

As the relevant percentage ratios in respect of the Investment Agreement exceed 5%, the Investment Agreement is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The relevant percentage ratios of the highest annual cap under the CCT Agreements exceeds 5%. The CCT Agreements therefore constitute continuing connected transactions of the Company under the GEM Listing Rules and are subject to reporting, announcement, independent shareholders' approval requirements and the annual review requirements under Chapter 20 of the GEM Listing Rules.

Assuming the completion of the Share Purchase occurs prior to the EGM, Medtronic will abstain from voting at the EGM in respect of the resolutions approving the CCT Agreements and the Investment Agreement and the transactions contemplated thereunder.

The Directors have confirmed that so far as they are aware, save for the above, no other Shareholder is interested in the CCT Agreements and the Investment Agreement.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 12 October 2012 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 1:00 p.m. on 15 October 2012.



## **GENERAL INFORMATION**

### **Independent Board Committee**

The Company has established the Independent Board Committee, comprising all the independent non-executive Directors, to approve the Transaction and to advise the Independent Shareholders as to whether the terms and conditions of the Transaction Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the independent financial adviser to be appointed by the Company. None of the members of the Independent Board Committee has any material interest in the Transaction.

### **Circular to Shareholders**

A circular containing, amongst other information, (i) further details of the Transaction; (ii) a letter from the Independent Board Committee advising the Independent Shareholders as to whether the terms and conditions of the Transaction Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and advising the Independent Shareholders on how to vote, taking into account the recommendations from the independent financial adviser; (iii) a letter from the independent financial adviser containing its recommendation to the Independent Board Committee and the Independent Shareholders as to whether the terms and conditions of the Transaction Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and advising the Independent Shareholders on how to vote; and (iv) a notice of the EGM, will be dispatched to the Shareholders within 15 Business Days of this this announcement.

## DEFINITIONS

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

“Additional Payment”	the additional payment in a sum of RMB300,000,000 by the Company to Medtronic under the Services Agreement in the event that any person other than Medtronic holds an interest of fifty percent (50%) or more in the share capital of the Company
“associate”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CCT Agreements”	means the Distribution Agreement and the Services Agreement
“Business Day”	means a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 8:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	LifeTech Scientific Corporation, a company incorporated in the Cayman Islands with limited liability, the shares of which were listed on the Growth Enterprise Market of the Stock Exchange by way of placing and public offer on 10 November 2010
“Conversion Shares”	the Shares issuable or issued by the Company to the Investor upon conversion of the relevant Convertible Notes
“Convertible Notes”	the First Tranche Convertible Notes and the Second Tranche Convertible Notes
“Director(s)”	directors of the Company or any one of them

“Distribution Agreement”	the supply and exclusive distribution agreement entered into between the Company, PerMed and Medtronic dated 14 October 2012
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of approving the Transaction and the allotment and issue of the Conversion Shares
“Executive”	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any of his delegates
“Fees”	the fees payable by the Company to Medtronic under the Services Agreement
“First Tranche Completion Date”	means the date falling on the fifth Business Day after fulfillment of the First Tranche Conditions in accordance with the Investment Agreement
“First Tranche Conditions”	the conditions precedent to completion of the First Tranche Convertible Notes
“First Tranche Convertible Notes”	the first tranche convertible notes to be issued by the Company and subscribed by Medtronic under the Investment Agreement
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (as amended from time to time)
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Board, comprising Mr. Liang Hsien Tse Joseph, Mr. Zhang Xingdong, Mr. Zhou Gengshen, being all the independent non-executive Directors, which has been formed to make recommendation to the Independent Shareholders in respect of the Transaction
“Independent Shareholders”	the shareholders of the Company who are not required to abstain from voting at the EGM under the GEM Listing Rules

“Investment Agreement”	the investment agreement entered into between Medtronic and the Company dated 14 October 2012
“License”	the non-exclusive, non-assignable, non-sub-licensable and non-royalty bearing (except the Royalty) limited license granted by Medtronic to the Company, pursuant to the Services Agreement
“Listing Committee”	the Listing Committee of the Stock Exchange
“Material Adverse Effect (or Change)”	means any event, circumstance, occurrence, fact, condition, change or effect that is materially adverse to the business, operations, financial condition, management, prospects, properties, assets or liabilities of any member of the Group, other than any event, circumstance, occurrence, fact, condition, change or effect relating to generally applicable economic conditions in the industry in which the Group operates; or the ability of the Company to perform any of its obligations hereunder or to consummate the transactions contemplated in the Investment Agreement
“Medtronic”	Medtronic, Inc., a company incorporated under the laws of Minnesota on 23 April 1957, the shares of which are listed on the New York Stock Exchange
“Mr. Wu”	Wu Jianhui, a non-executive Director and Substantial Shareholder of the Company and part of the Company’s controlling shareholder group
“Mr. Xie”	Xie Yuehui, chairman, executive Director and a Substantial Shareholder of the Company and part of the Company’s controlling shareholder group
“New Issue”	the issuance of 378,571,429 new ordinary shares of the Company as the Conversion Shares under the specific mandate
“Noteholder”	the holder of the Convertible Notes
“Orchid Asia”	Orchid Asia Group Management, Limited and its affiliates
“Orchid Asia III”	Orchid Asia III. L.P., an exempted limited partnership registered under the laws of Cayman Islands on 2 November 2004

“PAVI”	transcatheter pulmonary valve implantation
“PerMed”	Beijing PerMed Biomedical Engineering Co., Ltd., a company established under the laws of the PRC and having its principal place of business in Beijing and a wholly-owned subsidiary of the Company
“PRC” or “China”	the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, Taiwan and Macau Special Administrative Region
“Products”	means the goods and products PerMed will sell to Medtronic and that Medtronic will purchase from PerMed under the Distribution Agreement, which as of the effective date, includes all current and future heart valve products developed by, manufactured by, licensed to, owned by or otherwise available to PerMed, the Company or either of their affiliates, and may include any additional products that the parties agree for Medtronic to distribute upon exercising the right of first negotiation as defined in the Distribution Agreement
“Royalties”	the royalty amounts payable by the Company to Medtronic in considering for the licensing arrangement under the Services Agreement
“Second Tranche Completion”	the completion of the issuance of the Second Tranche Convertible Notes
“Second Tranche Completion Date”	the date falling on the fifth business day after fulfillment of the Second Tranche Conditions, provided however, that it falls within five years from the First Tranche Completion Date
“Second Tranche Conditions”	the conditions precedent to completion of the Second Tranche Convertible Notes
“Second Tranche Convertible Notes”	means the second tranche convertible notes to be issued by the Company and subscribed by the Investor
“Services”	the services to be provided by Medtronic to the Company under the Services Agreement

“Services Agreement”	the services agreement dated 14 October 2012 entered into between the Company and Medtronic for the provision of certain services by Medtronic to the Company
“Shares(s)”	ordinary share(s) of US\$0.00001 each in the share capital of the Company
“Share Option Scheme”	the share option scheme of the Company adopted by the Company on 22 October 2011
“Shareholder(s)”	holders of ordinary shares in the share capital of the Company with the nominal value of US\$0.00001 each
“Share Purchase”	the share purchase of 95,000,000 Shares representing 19.00% of the issued share capital of the Company as at the date of this announcement by Medtronic from Orchid Asia III pursuant to the Share Purchase Agreement
“Share Purchase Agreement”	the share purchase agreement entered into between Orchid Asia III and Medtronic dated 14 October 2012 in relation to the Share Purchase
“Start Date”	has the meaning ascribed to it under the Distribution Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Repurchases
“TAVI”	transcatheter aortic valve implantation
“Transaction”	the strategic transaction between Medtronic and the Group including the Share Purchase, issuance of the First Tranche Convertible Notes and the Second Tranche Convertible Notes and entering into the CCT Agreements
“Transaction Agreements”	includes the Share Purchase Agreement, the Investment Agreement, the Convertible Notes, and the CCT Agreements

“Whitewash Waiver”	a waiver from the Executive pursuant to Note 1 on the Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of Medtronic to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by Medtronic which would otherwise arise as a result of the issue and allotment of the Conversion Shares pursuant to the Investment Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of Hong Kong
“US\$”	US dollars, the lawful currency of United States
“%”	per cent

By order of the Board  
**LifeTech Scientific Corporation**  
**XIE Yuehui**  
*Chairman and Executive Director*

Shenzhen, P.R.C., 15 October 2012

*As at the date of announcement, the Board comprises Mr. XIE Yuehui and Mr. ZHAO Yiwei Michael being executive directors of the Company, Mr. LI Gabriel, Mr. WU Jianhui and Ms. CONG Ning being non-executive directors of the Company; and Mr. LIANG Hsien Tse Joseph, Mr. ZHANG Xingdong, Mr. ZHOU Gengshen being independent non-executive directors of the Company.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for 7 days from the date of its posting. This announcement will also be posted on the Company’s website at <http://www.lifetechmed.com>.*