THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your shares in LifeTech Scientific Corporation, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of LifeTech Scientific Corporation.

LIFETECH SCIENTIFIC CORPORATION

先健科技公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1302)

NON-EXEMPT CONNECTED TRANSACTION IN RELATION TO (1) THE EQUIPMENT AND COMPONENT SUPPLY AGREEMENT (CONNECTED EQUIPMENT TRANSFER TRANSACTION) AND NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS IN RELATION TO (2) THE SUPPLY OF COMPONENTS PURSUANT TO THE EQUIPMENT AND COMPONENT SUPPLY AGREEMENT (CONTINUING COMPONENT TRANSACTIONS) (3) THE SERVICES AGREEMENT (CONTINUING SERVICE TRANSACTIONS) (4) THE OEM LEAD AGREEMENT (CONTINUING OEM LEAD TRANSACTIONS) (5) THE DISTRIBUTION AGREEMENT (CONTINUING DISTRIBUTION TRANSACTIONS) (6) THE LICENSE AGREEMENTS (CONTINUING LICENSE TRANSACTIONS)

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

Optima Capital Limited

A letter from the Board is set out on pages 11 to 48 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 49 and 50 of this circular. A letter from Optima Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 51 to 90 of this circular.

A notice convening the extraordinary general meeting of the Company will be held at Floor 3, Cybio Electronic Building, Langshan 2nd Street, North Area of High-tech Park, Nanshan District, Shenzhen, PRC on 7 May 2015 at 10:00 a.m. is set out on pages 98 and 99 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, you are advised to complete the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and return it to Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding such EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish.

This circular will remain on the website of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk from the date of its posting and on the Company's website at http://www.lifetechmed.com.

20 April 2015

CONTENTS

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

"Affiliates"	any other entity that directly through one or more intermediaries, Controls, or is controlled by, or is under common Control with, the entity
"Agreements"	the Cardiac Rhythm Device License Agreement, the Medical Lead License Agreement, the Services Agreement, the OEM Lead Agreement, the Equipment Transfer and Component Supply Agreement and the Distribution Agreement
"Applicable Law"	any law, statute, code, rule, regulation, published interpretation, ordinance, directive, regulatory bulletin or guidance, regulatory examination or order, treaty, judgment, order, decree or injunction of any Governmental Authority that is applicable to or binding in the situation in which the term is used
"Assigned Experts"	the four full-time staff involving a senior quality manager, a senior manufacturing manager, a quality engineer, and a technician from the USA or Singapore to be assigned by Medtronic to station in the production facilities of the Company located in Shenzhen for the provision of services pursuant under the Services Agreement
"Board"	the board of Directors
"Cardiac Rhythm Device License Agreement"	the cardiac rhythm device license agreement entered into among the Company, MSO and Lifetech (Shenzhen) dated 25 July 2014 (amended and supplemented on 17 April 2015)
"CFDA"	the China Food and Drug Administration and any successor agency having substantially the same functions
"CAGR"	compound annual growth rate
"Company"	LifeTech Scientific Corporation, a company incorporated in the Cayman Islands with limited liability, the shares of which were listed on the Main Board of the Stock Exchange after being transferred from Growth Enterprise Market of the Stock Exchange on 6 November 2013
"Components"	the single chamber component and double chamber component to be supplied to Lifetech (Shenzhen) by MSO under the Equipment Transfer and Component Supply Agreement

"Component Supply Price"	the supply price for the components as specified under the Equipment Transfer and Component Supply Agreement to be paid by Lifetech (Shenzhen) to MSO
"Connected Equipment Transfer Transaction"	the transactions in respect of the transfer of the equipment as contemplated under the Equipment Transfer and Component Supply Agreement
"Continuing Component Transactions"	the transactions in respect of the supply of components as contemplated under the Equipment Transfer and Component Supply Agreement
"Continuing Distribution Transactions"	the transactions contemplated under the Distribution Agreement
"Continuing License Transactions"	the transactions contemplated under the License Agreements
"Continuing OEM Lead Transactions"	the transactions contemplated under the OEM Lead Agreement
"Continuing Service Transactions"	the transactions contemplated under the Services Agreement
"Control"	possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a person, whether through the ownership of voting securities, by contract or otherwise
"Director(s)"	directors of the Company or any one of them
"Distribution Agreement"	the supply and exclusive distribution agreement entered into among the Company, Lifetech (Shenzhen) and Medtronic China dated 25 July 2014 (amended and supplemented on 17 April 2015)
"Effective Date"	the date when (i) all of the Agreements have been duly signed by the authorized representatives of the respective parties to the Agreements; or (ii) all of the Agreements, as well as the transactions contemplated thereunder have been duly approved according to the Applicable Law and the Listing Rules (including without limitation the approval of the Independent Shareholders at a general meeting with respect to the Agreements in accordance with the Listing Rules and the articles of association of the Company), whichever is later
"EGM"	the extraordinary general meeting of the Company to be held for the purpose of approving the Agreements

"Equipment"	collectively the In-Use Equipment and the MSO Procured Equipment
"Equipment Transfer and Component Supply Agreement"	the equipment and components supply agreement entered into among the Company, Lifetech (Shenzhen) and MSO dated 25 July 2014 (amended and supplemented on 17 April 2015)
"Existing Agreements"	the investment agreement dated 14 October 2012 and amended on 5 January 2013, the services agreement dated 14 October 2012 and subsequently amended on 5 January 2013 and 24 January 2014, and the supply and exclusive distribution agreement dated 14 October 2012 and subsequently amended on 5 January 2013, together with their respective supplements, which were entered into between Medtronic and the Company, by themselves and through their respective Affiliates whereby Medtronic would invest in the Company and collaborate with the Company in connection with certain cardiovascular products
"Governmental Authority"	any public, regulatory or governmental agency, or any arbitrator, tribunal or court of competent jurisdiction, administrative agency or commission or other relevant authority or instrumentality (in each case whether national, local, foreign, international or multinational)
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"IFA Letter"	the letter prepared by Optima in relation to the Transactions and the terms of the Agreements which is contained in pages 51 to 90 of this circular
"Independent Board Committee"	an independent board committee of the Board, comprising Mr. LIANG Hsien Tse Joseph, Mr. ZHOU Luming and Mr. ZHOU Gengshen, being all the independent non-executive Directors, which has been formed to make recommendations to the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder
"Independent Shareholders"	the shareholders of the Company who are not required to abstain from voting at the EGM under the Listing Rules

"Intellectual Property"	any form of intellectual property including patents (including invention patents or utility models), trade dress, works of authorship, copyright, ideas, processes, trade secrets, know-how, design specifications, inventions, proprietary information, research and development data, pre-clinical and human data (de-identified), manufacturing procedures, suggestions, information, software, mask works, registered designs or design patents, or applications or priority rights for any of the foregoing but does not include trademarks or service marks
"In-Use Equipment"	the in-use equipment owned by MSO which would be transferred to Lifetech (Shenzhen) from MSO pursuant to the Equipment Transfer and Component Supply Agreement
"ISO 13485 Requirement"	a requirement for a comprehensive quality management system for the design and manufacture of medical devices
"Investment Agreement"	the investment agreement dated 14 October 2012 and amended on 5 January 2013, entered into between the Company and Medtronic and being one of the Existing Agreements
"Joint Operating Committee" or "JOC"	the committee established by the Company and Medtronic for governance of operating issues including budget and milestones related to the transactions contemplated under the Agreements
"Latest Practicable Date"	17 April 2015, being the latest practicable date prior to the despatch of this circular for ascertaining certain information for the purpose of inclusion in this circular
"Lead Products"	such lead products as set forth in the Services Agreement, which shall be manufactured and commercialized under the Company's brand pursuant to the Services Agreement, the Medical Lead License Agreement, the OEM Lead Agreement and the Distribution Agreement
"Lead Supply Price"	the supply price for the Lead Products to be paid by Lifetech (Shenzhen) to MSO pursuant to the OEM Lead Agreement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"License Agreements"	collectively, the Cardiac Rhythm Device License Agreement and the Medical Lead License Agreement

"Licensed Intellectual Property"	(a) Licensed Know-How, (b) Licensed Software, or (c) any Intellectual Property owned or controlled by MSO or its Affiliates and relating to improvements, modifications or changes that MSO or its Affiliates requested or directed the Company to incorporate in the Pacemaker Products or the manufacturing thereof under any of the Equipment Transfer and Component Supply Agreement, Services Agreement, OEM Lead Agreement, or Distribution Agreement
"Licensed Know-How"	any non-patent and non-trademark Intellectual Property owned or controlled by MSO or its Affiliates, relating to manufacturing of the Pacemaker Products in China or supporting Regulatory Approval thereof, and taught or communicated by MSO to the Company under the Services Agreement. Without limiting the foregoing, "Licensed Know-How" includes trade dress, works of authorship, copyright, ideas, processes, trade secrets, know-how, design specifications, inventions, proprietary information, research and development data, pre-clinical and human data (de-identified), manufacturing procedures, suggestions, or information, so long as otherwise included in the definition of Licensed Know-How
"Licensed Product"	any medical electrical lead for use with any implantable cardiac rhythm device including the Pacemaker Products. Without limiting the foregoing, lead includes any Lead Products
"Licensed Software"	any firmware installed or to be installed in (a) the Pacemaker Products and in components of the Pacemaker Products supplied to the Company by MSO under the Equipment Transfer and Component Supply Agreement, or (b) any software/firmware tester/programmer, supplied to the Company by MSO or its Affiliates under the Equipment Transfer and Component Supply Agreement, for loading, during manufacturing, software/firmware into a Pacemaker Product or testing such software/firmware, or (c) any programmer software application
"Licensed Trademark"	any trademark or service mark suggested to the Company in writing by MSO for use by the Company in connection with any implantable cardiac rhythm therapy device and lead and registered by MSO or its Affiliates in the PRC for this purpose, or subject to an application for registration filed by MSO or its Affiliates in the PRC for this purpose

"Lifetech Bi-Annual Period"	the six-month periods starting from 1 January and ending on 30 June, or starting from 1 July and ending on 31 December
"Lifetech (Europe)"	Lifetech Scientific (Europe) Coöperatief U.A., a corporation duly organized under the laws of the Netherlands and having its principal place of business at Kruisdonk, 64, 6222PH, Maastricht, Netherlands
"Lifetech Pacing Business Unit"	a separate business unit or subsidiary to be set up by the Company for the pacing products
"Lifetech Quarter"	calendar quarters starting from of 1 January, 1 April, 1 July and 1 October and ending on 31 March, 30 June, 30 September and 31 December, respectively
"Lifetech (Shenzhen)"	a subsidiary of the Company duly organised under the laws of the PRC and having its principal place of business in Shenzhen and a subsidiary of the Company
"Medical Lead License Agreement"	the medical lead license agreement entered into among the Company, Lifetech (Shenzhen) and MSO dated 25 July 2014 (amended and supplemented on 17 April 2015)
"Medtronic"	Medtronic, Inc., a company incorporated under the laws of Minnesota on 23 April 1957, is a subsidiary of Medtronic plc, the shares of which are listed on the New York Stock Exchange
"Medtronic China"	Medtronic Shanghai Management Co., Ltd., a corporation duly organized under the laws of China and having its principal place of business at Block 11, No. 3000 Long Dong Avenue, Pudong, Shanghai 201203, PRC
"MSO"	MSO Operations Pte Ltd., a corporation duly organized under the laws of Singapore and having its principal place of business at 49 Changi South Ave 2, Nasaco Tech Centre, Singapore 486056, Singapore
"MSO Procured Equipment"	the new equipment which will be procured by MSO and then be transferred to Lifetech (Shenzhen) pursuant to the Equipment Transfer and Component Supply Agreement for the manufacturing of the Pacemaker Products

"Net Sales"	the amount invoiced or otherwise billed by the Company, including any of its Affiliates and subsidiaries, for sales or other disposition of all Licensed Product to a third party or Medtronic China or its Affiliates, less the following to the extent actually taken: (i) discounts, including cash, trade and quantity discounts, price reduction programs, consumer coupons and rebates, retroactive price adjustments with respect to sales of such Licensed Product, charge-back payments andrebates granted to managed health care organizations or to state and local governments (or their respective agencies, purchasers and reimbursers) or to trade customers, including wholesalers and chain and pharmacy buying groups, any additional incentive payment to distributors based on the amount of actual sales volume exceeding the required sales volume; (ii) credits or allowances taken upon rejections or returns of such Licensed Product; (iii) freight, postage, shipping and insurance charges actually allowed or paid for delivery of such Licensed Product; (iv) customs duties, surcharges and other governmental charges incurred in connection with the importation of such Licensed Product; and (v) taxes, duties or other governmental charges levied on, absorbed or otherwise imposed on sale of such Licensed Product, including value-added taxes, or other governmental charges otherwise measured by the billing amount, as adjusted for rebates and refunds, but specifically excluding taxes based on net income of the seller; provided that all of the foregoing deductions are calculated in accordance with the International Financial Reporting Standards consistently applied throughout the Group. A sale of a Licensed Product is deemed to occur upon the earlier of shipment of or billing for such product. To the extent MSO or its Affiliates receive consideration other than or in addition to cash upon the sale or distribution of a Licensed Product, Net Sales will include the fair market value of such additional consideration

"OECD Pricing Guidelines"	the guidelines published by the Organization of Economic Cooperation and Development which provides the TNM Method
"OEM Lead Agreement"	The manufacturing agreement entered into among the Company, Lifetech (Shenzhen), Lifetech (Europe) and MSO dated 25 July 2014
"Optima" or "Independent Financial Adviser" or "IFA"	Optima Capital Limited, a corporation licensed under the SFO to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser in respect of the Agreements
"Pacemaker Products"	such implantable pacemaker products as set forth in the Services Agreement, to be manufactured and commercialized under the Company's brand pursuant to the Services Agreement, the Cardiac Rhythm Device License Agreement, the Equipment Transfer and Component Supply Agreement and the Distribution Agreement
"Pacing Giants"	St. Jude Medical, Inc., Boston Scientific Corporation and Medtronic, which are the leading companies in the global pacemaker market
"Pacing Products"	collectively, the Pacemaker Products and the Lead Products
"PRC" or "China"	the People's Republic of China, for the purposes of this announcement, excluding Hong Kong, Taiwan and Macau Special Administrative Region
"Quarter"	the fiscal quarter in accordance with Medtronic's fiscal year calendar to be provided by Medtronic on an annual basis to the Company
"QY Pacemaker Research Report"	a pacemaker research report in relation to the development of PRC pacemaker market provided by QY Research. QY Research is a market research company established in 2007 focusing on customized research, industry chain research, data base and etc.. It is one of the quality assurance consulting brands in the consulting industry in the PRC and has approximately 2500 global well-known clients across over 30 sectors. Its research scope expands to various countries around the world including the PRC, USA, Europe, Asia Pacific Region, Africa, etc.

"Regulatory Approvals"	any marketing approval, permit, license, or any other authorization that is required in accordance with the Applicable Law (i) for the manufacturing and commercialization of the Pacemaker Products in the PRC, and (ii) importing and commercializing Lead Products in the PRC
"Reporting Period"	either a Lifetech Bi-Annual Period or a Lifetech Quarter, whichever is shorter period for which the Company will publish financial reports pursuant to the Listing Rules
"RMB"	Renminbi, the legal currency of the PRC
"Services Agreement"	the pacemaker consulting services agreement entered into among the Company, Medtronic and Lifetech (Shenzhen) dated 25 July 2014
"Services Budget"	the written proposed list of services to be provided by Medtronic pursuant to the Services Agreement with the estimated cost for such services
"Shares"	ordinary share(s) in the share capital of the Company at the nominal value of US$0.00000125 each
"Shareholders"	shareholders of the Company
"Start Date"	the date on which all of the following conditions are satisfied: (i) Lifetech (Shenzhen) has completed all the action items as set forth in the Services Agreement; and (ii) the Regulatory Approvals duly issued for the (a) Pacemaker Products or (b) Lead Products
"Sterilization Lot Size"	the maximum quantity of the final products that can be put into a particular machine for sterilization
"Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Subsequent Component Supply Prices"	the Component Supply Price for subsequent years after the first fiscal year of MSO
"TNM Method"	the transactional net margin method
"Transactions"	collectively, the Continuing Component Transactions, Continuing Distribution Transactions, Continuing License Transactions, Continuing OEM Lead Agreement and Continuing Service Transactions
"Transfer"	the transfer of equipment pursuant to the Equipment Transfer and Component Supply Agreement

"Transfer Price"	a per-type of product, per-unit price for the Pacemaker Products and Lead Products to be paid by Medtronic China to Lifetech Shenzhen under the Distribution Agreement
"USA"	the United States of America
"USD"	US dollar, the lawful currency of USA
"Year One"	the period commencing from the Start Date and ending on the last day of Medtronic's then current fiscal year
"ZS Associates"	a consulting firm engaged by Medtronic for conducting a market research and analysis of the PRC pacemaker market based on its interview and survey with 200 cardiologists and 600 patients in the PRC and the internal historical data of Medtronic
"ZS Pacemaker Research Report"	a research report prepared by ZS Associates dated September 2014 in relation to the market research and analysis of the PRC pacemaker market

* *For the purpose of this circular, the exchange rate of USD:HK$ is 1:7.8 and the exchange rate of RMB:HK$ is 1:1.2*

LIFETECH SCIENTIFIC CORPORATION

先健科技公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1302)

Executive Director:
Mr. XIE Yuehui *(Chairman and Chief Executive Officer)*
Mr. LIU Jianxiong
(Chief Financial Officer and Company Secretary)

Non-executive Directors:
Mr. JIANG Feng
Mr. MARTHA Geoffrey Straub
Mr. MONAGHAN Shawn Del
Mr. WU Jianhui

Independent Non-executive Directors:
Mr. LIANG Hsien Tse Joseph
Mr. ZHOU Luming
Mr. ZHOU Gengshen

Registered Office in the Cayman Islands:
PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

Principal place of business and address of headquarter:
Cybio Electronic Building,
Langshan 2nd Street,
North Area of High-tech Park,
Nanshan District,
Shenzhen 518057,
PRC

Principal place of business in Hong Kong registered under Part 16 of the Hong Kong Companies Ordinance:
31/F, 148 Electric Road,
North Point,
Hong Kong

20 April 2015

To the Shareholders

Dear Sir or Madam,

NON-EXEMPT CONNECTED TRANSACTION IN RELATION TO (1) THE EQUIPMENT AND COMPONENT SUPPLY AGREEMENT (CONNECTED EQUIPMENT TRANSFER TRANSACTION) AND NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS IN RELATION TO (2) THE SUPPLY OF COMPONENTS PURSUANT TO THE EQUIPMENT AND COMPONENT SUPPLY AGREEMENT (CONTINUING COMPONENT TRANSACTIONS) (3) THE SERVICES AGREEMENT (CONTINUING SERVICE TRANSACTIONS) (4) THE OEM LEAD AGREEMENT (CONTINUING OEM LEAD TRANSACTIONS) (5) THE DISTRIBUTION AGREEMENT (CONTINUING DISTRIBUTION TRANSACTIONS) (6) THE LICENSE AGREEMENTS (CONTINUING LICENSE TRANSACTIONS)

INTRODUCTION

Reference is made to the Company's announcements dated on 15 October 2012, 28 July 2014, 7 August 2014 and 17 April 2015, and the Company's circular dated 6 January 2013.

The purposes of this circular are to provide you with, among other things, (1) further information relating to the details of the Agreements and the proposed annual caps contemplated thereunder; (2) a letter of advice from Optima to the Independent Board Committee and the Independent Shareholders; (3) the recommendation of the Independent Board Committee to the Independent Shareholders; and (4) a notice of the EGM.

THE AGREEMENTS

Background

On 14 October 2012, the Company and Medtronic, by themselves or through their respective Affiliates, entered into a strategic alliance through the Existing Agreements in relation to Medtronic's investment in the Company, and the distribution arrangement and provision of consulting services by Medtronic to the Company in relation to certain medical products, some of which were subsequently amended by supplemental agreements on 5 January 2013, 24 January 2014 and 13 June 2014. Pursuant to these agreements, Medtronic has invested in the Company and has started collaboration with the Company in connection with certain cardiovascular products.

To expand this alliance to include pacemaker and cardiac lead products to be manufactured and commercialized in China for the China market, the Company, by itself or through its Affiliates, entered into the Agreements with Medtronic or its Affiliates on 25 July 2014 and the supplemental agreements in respect of (i) the License Agreements to revise the duration thereof from a perpetual term to a fixed term of 50 years; (ii) the Distribution Agreement to revise the exhibit attached thereto for the specification of the products to be distributed; and (iii) the Equipment and Component Supply Agreement to revise the exhibit attached thereto for the specification of components to be supplied, on 17 April 2015. Under the Agreements, Medtronic and its Affiliates will provide the Company or its Affiliates with (i) licenses to know-how and other intellectual property; (ii) certain consulting services; (iii) certain equipment and components; (iv) manufacturing capabilities and (v) marketing, promotion and distribution in connection with certain implantable cardiac rhythm management products to be developed and manufactured by the Company at the Company's facility in Shenzhen, the PRC.

As this collaboration between the Company and Medtronic for the transactions contemplated under the Agreements qualifies as a product development milestone as specified in the Existing Agreement, the conversion price of the second tranche convertible notes issued by the Company to Medtronic shall be adjusted pursuant to the relevant adjustment mechanism under the Investment Agreement. Details of such adjustment have been disclosed in the Company's circular dated 6 January 2013.

	Agreement(s) entered into among	**Duration**	**Proposed annual caps**
(i)	the Company, Lifetech (Shenzhen) and MSO, in relation to the (i) transfer of equipment and (ii) supply of components by MSO to Lifetech (Shenzhen) for the manufacturing of the Pacing Products (i.e. the ***Equipment Transfer and Component Supply Agreement*** and (i) the transfer of the equipment contemplated thereunder the ("***Connected Equipment Transfer Transaction***"); whilst (ii) the supply of components as contemplated thereunder (the "***Continuing Component Transactions***"))	10 years from the Effective Date	for the three years ending 31 December 2017 to 2019
(ii)	the Company, Lifetech (Shenzhen) and Medtronic, in relation to the provision of consulting services in respect of the production of pacemaker, product development for the Pacing Leads, commercialization and post commercialization support from Medtronic to Lifetech (Shenzhen) (i.e. the ***Services Agreement,*** and the transactions contemplated thereunder (the "***Continuing Service Transactions***"))	10 years from the Effective Date	for the five years ending 31 December 2015 to 2019

	Agreement(s) entered into among	Duration	Proposed annual caps
(iii)	the Company, Lifetech (Europe), Lifetech (Shenzhen), and MSO, in relation to the manufacturing of the Pacing Leads by MSO in the form of original equipment manufacturer ("**OEM**") but with regulatory responsibility being with Lifetech (Europe) (i.e. the ***OEM Lead Agreement***, and the transactions contemplated thereunder (the "***Continuing OEM Lead Transactions***"))	10 years from the Effective Date	for the three years ending 31 December 2017 to 2019
(iv)	the Company, Lifetech (Shenzhen), and Medtronic China, in relation to the appointment of Medtronic China as an exclusive distributor to sell the Pacing Products of the Company (i.e. the ***Distribution Agreement***, and the transactions contemplated thereunder, (the "***Continuing Distribution Transactions***"))	10 years from the Effective Date	to be proposed only when the Continuing Licence Transactions commence
(v)	the Company, Lifetech (Shenzhen), and MSO, in relation to the grant of non-exclusive, royalty bearing and non-transferrable licenses by MSO to the Company in respect of the technical know-how, softwares, and any intellectual property owned or controlled by MSO, which are required for the manufacturing of the Pacing Products (i.e. the ***License Agreements***, together with the Equipment Transfer and Component Supply Agreement, the Services Agreement, the OEM Lead Agreement and the Distribution Agreement, the ***Agreements*** and the transactions contemplated thereunder, the ***Continuing License Transactions***, which together with the Continuing Component Transactions, the Continuing Service Transactions, Continuing OEM Lead Transactions, and Continuing Distribution Transactions, the "***Transactions***")	50 years	to be proposed only when the Continuing Licence Transactions commence

The proposed timeline for this project is set out as follows:

Calendar Year	**2015**	**2016**	**2017**	**2018**	**2019**
Stages	Development and facility build	Facility build and type testing	Manufacturing	Pre-commercialisation	Commercialisation

Particulars of the Agreements are described as follows:

(I) NON-EXEMPT CONNECTED TRANSACTION

(1) **Connected Equipment Transfer Transaction**

Parties:

(i) MSO;

(ii) the Company; and

(iii) Lifetech (Shenzhen).

Nature of transaction:

Pursuant to the Equipment Transfer and Component Supply Agreement, MSO agrees to transfer to Lifetech (Shenzhen) all the right, title and interest in the In-Use Equipment and the MSO Procured Equipment for the manufacturing of Pacemaker Products. The full list of the In-Use Equipment and the MSO Procured Equipment to be transferred has been confirmed by MSO and Lifetech (Shenzhen).

The equipment to be transferred from MSO to Lifetech (Shenzhen) is mainly for establishing the Group's debut production line of pacemakers which includes, among others, titan test system for verifying the electrical functionality of the pacemaker device, AATS system for conducting an automated electrical test, ethylene oxide (EO) sterilization system for performing EO gas sterilization and aeration process to the Pacemaker Products, post-sterilisation system, label dispeners, microscope, and other utility structure assay.

Term:

Commencing on the Effective Date and, unless sooner terminated pursuant to the Equipment Transfer and Component Supply Agreement, shall continue to be in effect for a term of 10 years. Thereafter, the Equipment Transfer and Component Supply Agreement will be automatically renewed for periods of one year unless a party provides a notice of non-renewal at least 90 days in advance.

Although the Equipment Transfer and Component Supply Agreement is of a term of 10 years, the Connected Equipment Transfer Transaction contemplated thereunder is merely a one-off transaction. It is expected that that the In-Use Equipment and the MSO Procured Equipment to be transferred from MSO to Lifetech (Shenzhen) will be delivered according to the progress of the set-up of the production line and the transfer of all of the said equipment will be completed by the end of June 2015.

Termination:

Prior to the completion of the Connected Equipment Transfer Transaction, the Connected Equipment Transfer may be terminated pursuant to the termination clause in the Equipment Transfer and Component Supply Agreement by among others, (a) mutual consent of the parties in writing at any

time; (b) the non-breaching party where the other party to the Equipment Transfer and Component Supply Agreement has committed a material breach of its obligations thereunder and has failed to cure such breach within a fixed time period; (c) the non-breaching party where the other party has breached its confidentiality obligations and has failed to cure such breach within a fixed time period; (d) either party if the other party 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 other under any provision of bankruptcy law; (e) MSO if the Company or Lifetech (Shenzhen) fails to pay any uncontested invoices or other amount due hereunder within 60 days following any due date as provided under the Equipment Transfer and Component Supply Agreement; (f) MSO due to breach of any of the License Agreements by the Company and (g) MSO for change of control of the Company (except in the event where such change is effected from Medtronic's acquisition of a majority interest in the Company).

If the Equipment Transfer and Component Supply Agreement is terminated, then the terminating party may also terminate the OEM Lead Agreement and the Distribution Agreement.

Following any termination of the Equipment Transfer and Component Supply Agreement, MSO shall have no obligation to further supply any of the Equipment or the Components, provided however that (i) expiration or termination shall not affect any right to payment of MSO for the Equipment transferred and the Components supplied prior to expiration or termination, and any outstanding Transfer Price and Component Supply Price shall be paid within 60 days after the effective date of termination; and (ii) MSO shall continue to fulfill any orders of the Components that have been submitted by Lifetech (Shenzhen) and accepted by MSO, unless the termination is due to the Company's material breach of the Equipment Transfer and Component Supply Agreement.

The Board considers that the termination events and the rights and duties of the parties after termination as set out in the Equipment Transfer and Component Supply Agreement are normal and commercial. In addition, given that the Equipment Transfer and Component Supply Agreement, the License Agreements, the OEM Lead Agreement and the Distribution Agreement are the cornerstones of the strategic alliance between Medtronic and the Company, it is fair and reasonable to have a termination clause hold the Agreements together so as to reflect the underlying spirit of the alliance that failure of performance of any of the Agreements would ruin the Transactions as a whole and the alliance.

License for the Transfer of Equipment:

The Equipment Transfer and Component Supply Agreement also stipulates that the In-Use Equipment and MSO Procured Equipment may be custom-made by or otherwise contain proprietary information of third parties. MSO will obtain necessary license or consent from such third parties to enable MSO to transfer the equipment to Lifetech (Shenzhen). The cost of obtaining such license will be included in the transfer price of such Equipment.

The Board is of the view that such term is favorable and reasonable to the Company as it ensures the Transfer is in compliance with relevant clauses in the agreements entered into between MSO and other third parties and thus would not be affected or interrupted by third parties.

Pricing:

Under the Equipment Transfer and Component Supply Agreement, the In-Use Equipment will be transferred at the book value at the time of transfer of the In-Use Equipment; and the MSO Procured Equipment will be transferred at cost of procurement paid by MSO.

The Board estimates that the total transfer prices of the In-Use Equipment and MSO Procured Equipment would be approximately USD487,000 (equivalent to approximately HK$3,798,600).

The Board expects that approximately a total of 14 types of the In-Use Equipment and MSO Procured Equipment would be transferred from MSO to Lifetech (Shenzhen) for setting up the production line of pacemaker, and the transfer prices of the In-Use Equipment and the MSO Procured Equipment were determined based on the quotation prices shown in the invoices issued by the independent vendors in the market.

As such, the Board is of the view that the transfer prices of the In-Use Equipment and the MSO Procured Equipment are fair and reasonable.

Payment Term:

Lifetech (Shenzhen) will pay for the equipment pursuant to the Equipment Transfer and Component Supply Agreement in USD within 60 days after the date of invoice or the date of delivery, whichever is later. The Directors consider that the 60-day credit period granted by MSO is favorable to the Company given that such period allows flexibility to the Company.

The Directors believe that the advantage of the Connected Equipment Transfer Transaction is to equip the Company with all equipment necessary for setting up the production line of pacemakers with MSO which is responsible for procuring the equipment from the market based on the necessary specifications and needs, and for installing all the equipment in the production factory of Lifetech (Shenzhen) pursuant to the Equipment Transfer and Component Supply Agreement. However, the Directors wish to draw the Independent Shareholders' attention that it is possible that the production line would become futile if the Agreements were terminated after the completion of the Connected Equipment Transfer Transaction because in that case the Company will lack consultative support advice and assistance from Medtronic under the Services Agreement and will no longer be licensed to use Medtronic's intellectual properties and trademark under the License Agreements for the production of the Pacemaker Products.

In light of the above, the Directors (including the independent non-executive Directors) are of the view that the Transfer under the Equipment Transfer and Component Supply Agreement and the terms of the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Shareholders as a whole.

(II) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(2) Continuing Component Transactions

Parties:

(i) MSO;

(ii) the Company; and

(iii) Lifetech (Shenzhen).

Nature of transaction:

Pursuant to the Equipment Transfer and Component Supply Agreement, MSO will be the exclusive supplier of Components to Lifetech (Shenzhen). MSO will provide the Components in accordance with the specifications set forth by the Company. Lifetech (Shenzhen) engages MSO as its exclusive supplier of components because the Components are highly customized and specifically designed and manufactured by Medtronic with its patented technology for the production of the Pacemaker Products, and thus are not commercially available from other pacemaker manufacturers or suppliers in the PRC or other countries in the world. Thus, the Directors consider that the such grant of exclusive distributorship to MSO is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

Term:

The Continuing Component Transactions under the Equipment Transfer and Component Supply Transaction will be of a term of 10 years unless earlier termination by the parties and the term will be automatically renewed for one year unless a party provides a notice of non-renewal at least 90 days in advance.

Although the duration of the Continuing Component Transactions is longer than three years, such duration is within the range of the durations of the supply agreements entered into between the Company and other independent suppliers for the components used for other medical products, which is two to six years. In addition, the Directors noted that the Pacing Giants (except for Medtronic, which has never entered into similar transactions with other parties than the Company) have entered into three supply agreements relating to the supply of components or accessories for the medical devices in relation to heart rhythm management and one of the agreements is of a 10-year term. The duration of the other two supply agreements were not disclosed in the public domain.

In light of the above and given that (i) the Components, which are to be customised with patented technology of Medtronic, are not commercially available from other vendors in the PRC pacemaker market or in other parts of the world; (ii) the manufacturing and commercialization of the Pacing Products are completely new to the Company such that securing a stable and timely supply of the highly customized Components for the Company's debut production is commercially sensible and favourable to the Company; and (iii) pacemaker is very sophisticated medical device which requires

clinical trials before and after the commercialization in order to ensure its quality and compatibility with the body of the patients and therefore a long-term and stable supply of the Components can facilitate the fine-tuning of the Pacing Products and the patients' health would not be adversely affected by the suspension or interruption, the Directors are of the view that the 10-year term of the Continuing Component Transaction is a normal business practice and is favourable to the Company and the Shareholders as a whole given.

Payment Term:

The payment of the Component Supply Price shall be made in USD no later than 60 days after the date of invoice or the date of shipment of components, whichever is later. A 60-day credit period granted by MSO is favourable to the Company in the Directors' view as it allows flexibility in payment for the Company.

Termination:

Please refer to pages 15 and 16 of this circular for the details on early termination of the Equipment Transfer and Component Supply Agreement.

Pricing:

Lifetech (Shenzhen) will pay MSO the Component Supply Price for the Components to be supplied by MSO pursuant to the Equipment Transfer and Component Supply Agreement.

The Component Supply Price of each of the Components in Year One as stipulated under the Equipment Transfer and Component Supply Agreement was determined based on the costs of production of the Components including, among other things, cost of raw materials and labour costs, plus a premium to be charged by MSO:

Component Supply Price (Year One) = costs of production of the Components (including, among other things, the cost of raw materials and labour costs) + a premium to be charged by MSO.

As the premium is highly confidential and commercial sensitive information for both the Company and Medtronic, the Directors hold the strong view that if the actual percentage of such premium was disclosed in this circular or to the competitors of the Company or Medtronic in the market, the commercial interest of the Company and Medtronic would be jeopardized, which may further affect the prospect of the sale of the Pacemaker Products adversely, especially when facing the highly cost-conscious customers in the PRC. As such, while the actual percentage of the premium has been disclosed to Optima for their assessment and preparation of the IFA letter, such sensitive figures are not disclosed herein.

Given that the premium charged by MSO is lower than the internal benchmark (being the gross profit margin of Medtronic China's pacemaker products for its latest financial year ended 30 April 2014), the Directors consider that MSO is not charging the Company an unreasonably high margin for the customized Components despite the uniqueness and exclusiveness of the Components. In addition,

taking into account that the Components are highly customized with patented technology of Medtronic, that the components are of promising and reputable quality in the PRC pacemaker market and not commercially available in the PRC or other countries, the Directors are of the view that the Component Supply Price determined based on the premium charged by MSO on the Components is fair and reasonable.

In addition, under the Equipment Transfer and Component Supply Agreement, it is stipulated that the Subsequent Component Supply Prices will be adjusted by half with percentage change in the Transfer Prices for the Pacemaker Products. For instance, if the Transfer Price increases or decreases by 20% in Year One, the supply price for the Components for the year after Year One should increase or decrease by 10% (as the case may be).

The rationale underlying such adjustment mechanism is to align the interests of the Company and Medtronic through each of them sharing half of the costs and benefits arising from the sales of the Pacing Products during the manufacturing and distribution process of the Pacing Products.

As such, the Board is of the view that it is commercially sensible and reasonable to adjust the Subsequent Component Supply Prices by half with the percentage change to the actual selling prices of the Pacing Products given each of the parties under this mechanism can enjoy and bear the ups and downs of the market evenly and fairly.

Further, the Directors are of the view that the Independent Shareholders are given sufficient information to make their voting decisions on the Continuing Component Transactions based on (i) the justification and confirmation of the fairness and reasonableness of the Component Supply Prices as well as the premium charged on the Components as discussed above; and (ii) the Company's assurance to the Independent Shareholders of its due and proper conduct and compliance of the Continuing Component Transactions during the term through the annual review by the independent non-executive Directors and the confirmation by the auditors of the Company.

Anticipated Purchase:

Lifetech (Shenzhen) shall submit to MSO quarterly rolling 12-month anticipated purchases of the Components. In case Lifetech (Shenzhen) wishes to revise the monthly forecast, it shall submit the revised forecast to MSO 90 days in advance. The Board is of the view that it is fair and reasonable for Lifetech (Shenzhen) to give advance notice to MSO of the anticipated amount of the Components to be purchased in the following 12 months as it would prepare MSO with timely and stable supply of the Components which in turn facilitates the Company's production of the Pacemaker Products.

Surge Capacity:

MSO shall on the best effort basis have the capacity to satisfy an increase of at least 25% over the anticipated purchase of the Components to be informed to MSO quarterly on the first year of the term of the Equipment Transfer and Component Supply Agreement and at least 30% from the second year of the term of the Equipment Transfer and Component Supply Agreement. As such surge capacity

can give a buffer for the possible surge of the amount of Components required for the manufacturing of the Pacemaker Products in case that the sales are unexpectedly good and can provide flexibility for the replenishment plan of the Components, the Board is of the view that it is favorable and beneficial to the Company.

Minimum Purchase Quantity:

Lifetech (Shenzhen) shall purchase a minimum of 150 units of each of the Components on each order. The minimum quantity of purchase was determined based on the Sterilization Lot Size. The reason for setting the minimum purchase quantity for each order is to allow the Company optimize the inventory planning of the Components by aligning the purchase quantity of the Components with the Sterilization Lot Size (i.e. 150 units). Accordingly, the Board considers that such purchase is in the interests of the Company.

Termination of Order:

Lifetech (Shenzhen) may terminate in whole or in part an order or orders by written notice to MSO (i) for safety or regulatory reasons as determined by Lifetech (Shenzhen)'s internal analysis; (ii) if, as a result of a force majeure event MSO remains unable to deliver the Components in a material amount for more than 45 days, or (iii) if MSO fails to cure a material breach with respect to the order in question within 90 days after receiving written notice from the Company.

The Board views that this clause can help safeguard the interests of the Company and the Shareholders as a whole and ensure timely and stable supply of the Pacing Products to the patients and clinics.

Annual caps and basis of calculation:

As the Company builds up the supply and prepares for the distribution of the Pacemaker Products in the PRC, the proposed annual caps for the transactions in relation to the supply of Components under the Equipment Transfer and Component Supply Agreement for the five years ending 31 December 2019 are as follows (in RMB millions):

2015	2016	2017	2018	2019
0	0	24.8	64.2	107.3

Given that the magnitude of changes in some parameters and assumptions for determining the annual caps under the Equipment Transfer and Component Supply Agreement cannot be guaranteed to remain valid for 10 years, the Company proposes to obtain the annual caps for the five years ending 31 December 2019 at this stage and will set the annual caps for the years after 2019 before the expiry of the annual cap for the year ending 31 December 2019 in compliance with Chapter 14A of the Listing Rules.

Given that the production of the Pacemaker Products is expected to commence only after two to three years of preparation work to be conducted by the parties involved in the procurement of required equipment for setting up a production line of pacemaker and upgrading the internal system pursuant to the Services Agreement, the supply of Components by MSO will only take place upon the commencement of the production, and thus the annual caps for the transactions in relation to the supply of Components under the Equipment Transfer and Component Supply Agreement for the years ending 31 December 2015 and 31 December 2016 are zero.

The above proposed annual caps were estimated with reference to: (i) the Component Supply Price; (ii) the estimated quantity of the Components to be sourced based on the anticipated market size of the Pacing Products in the PRC as extracted from the ZS Pacemaker Research Report (i.e. 72,000 in 2014) and the assumption that the Company would be able to obtain one-third of the market share of the local segment of the PRC pacemaker market in light of the existing small number of competitors in the market's local segment and the competitive advantage of the Pacemaker Products as a result of the guidance and assistance provided by Medtronic under the Services Agreement; (iii) a conservative estimation of approximately 12% CAGR of the pacemaker market in the PRC from 2017 to 2023 based on the CAGR estimated in the ZS Pacemaker Research Report (i.e. approximately 10% from 2010 to 2018 and approximately 16% from 2019 to 2028); and (iv) the annual buffer for the possible increase in the demand of the Components (25% for Year One and 30% for the subsequent years).

In light of the above, the Board considers that the proposed annual caps for the Continuing Component Transactions are fair and reasonable. The Continuing Component Transactions are in the ordinary and usual course of business of the Group and on normal commercial terms, fair and reasonable, and are in the interests of the Group and the Independent Shareholders as a whole.

(3) **Continuing Service Transactions**

Parties:

(i) Medtronic;

(ii) the Company; and

(iii) Lifetech (Shenzhen).

Nature of transaction:

Pursuant to the Services Agreement, Medtronic will provide, amongst others, the following services to the Company:

(i) Development resources to assist with the creation of local portfolio of the Pacing Products including branding, programming, packaging, and technical communications;

(ii) Quality, operations, facilities, finance and information technology engineering resources to assist with the planning, implementation, qualification, validation, and training the Company's employees to operate local pacemaker line;

(iii) Type testing, regulatory, clinical trial design and execution, government affairs resources to support CFDA registrations by the Company; and

(iv) Commercialization support including market research, branding, support for establishing compatible enterprise resource planning systems, and sales forecasts.

Given that none of the Company's existing employees has sufficient capabilities and qualities to provide the above services and it is difficult for the Company to find service providers in the market who have similar and as good expertise and experience as Medtronic for the provision of the above-mentioned services, the Company has agreed that Medtronic will deploy full-time expatriate employees on-site at the Company's Shenzhen facility in the PRC to provide and/or coordinate the above services. There will also be several employees at Medtronic's global sites who will provide support to the Company for the above-mentioned services, for full or partial allocation of their time.

Additionally, Medtronic will provide to the Company post-commercialization support on the Company's behalf, ongoing maintenance or service to the capital equipment required, and additional engineering support for new or existing products of the Company. The cost of these services will be determined when such services are requested.

Term:

The Services Agreement commences from the Effective Date for a term of 10 years. It will be automatically renewed for periods of one year unless a party provides a notice of non-renewal at least 90 days in advance.

In determining the duration of the Services Agreement, the Board has taken into account the fact that:

(a) the strategic alliance formed between Medtronic and the Company in the pacemaker market is unprecedented, the production sales of pacemakers are completely new to the Company and a stable and continuous support and guidance is integral throughout the project including the development stage; facility build stage; manufacturing stage; pre-commercialisation stage; and commercialization stage. If the term of the Services Agreement was artificially cut into three years, the progress of the project at each stage would be delayed and unable to align with development of the market and need of the patients. For instance, the clinical trial of products scheduled at the pre-commercialization stage will have to be suspended until the Services Agreement is renewed for an additional three years, which will contravene the normal business practice for a service agreement of this type to have such duration to facilitate the overall planning and progress of the project. It will also put the project to high incompletion risk and affect the continuous safety monitoring and risk control of the Company's products;

(b) such term of the Services Agreement is imperative and normal as it coheres with the expected time required for developing a Class III medical device product like pacemakers, and it ensures the effectiveness and quality of the services by allowing sufficient time to conduct clinical trials and type testing for debut pacemaker products given pacemaker is a complicated medical device involving sophisticated technology to determine the appropriate timing and magnitude of the electric stimulus to be transmitted to particular heart chamber of the patients; and

(c) the term also provides sufficient time for the internal system upgrade of the Company until the distribution of the Pacing Products ramps up to a commercially reasonable level such that the Pacing Products can reach the regulatory and industry standard.

Given that it is uncommon for a major market player of pacemaker industry such as Medtronic to assist and consult another market participant or competitor in establishing the production and commercialization of pacemaker products and in light of the above-mentioned factors, the Board considers that it is commercially sensible and favorable to have the Services Agreement of such duration and the 10-year term of the Services Agreement is fair and reasonable and is a normal business practice for agreements of this type to be of such duration.

Services Fee

Medtronic shall charge the Company, on a quarterly basis, a service fee which is in principle calculated based on the actual fully burdened costs incurred by Medtronic for providing the services. However, under no circumstances will the service fees exceed more than 20% of the budget prepared based on a proposed list of services to be provided by Medtronic as agreed by both parties at the end of each quarter without approval of the JOC. The Directors will ensure that the additional services to be approved by the JOC are necessary to equip the Company for the production of Pacemaker Products and the services fee charged in this regard will be no less favorable than the independent third parties offer.

Given that the services fee to be paid by the Company is in substance a reimbursement of the actual costs to be incurred by Medtronic for its provision of the services and in each quarter both parties will come up with the Services Budget and the actual services fee shall not exceed by more than 20% of the services budget unless approved by the JOC, the Directors are of the view that such mechanism for determining the services fee allows more certainty for the Company when anticipating the costs of the services and is therefore fair and reasonable.

Payment Term:

The Company will pay Medtronic the service fees within 60 days after the Company's receipt of the respective service fee invoices from Medtronic at the end of each Quarter starting from the Effective Date. As such 60-day credit period allows flexibility in the Company's cash management, the Board considers that such payment term is fair and reasonable, and is in the interest of the Company.

Services Interruption or Suspension:

Under the Services Agreement, the services shall not be interrupted or suspended for more than five business days without any mutual agreement of the parties. In the absence of such agreement, the services shall continue unless the Services Agreement is terminated under the termination clause in the Services Agreement. In the event of services interruption or suspension, the parties to the Services Agreement shall use commercially reasonable effort to discuss and determine the manner, extent and terms of such interruption or suspension, and cooperatively seek for a solution that are mutually acceptable to both parties. If however no mutually acceptable solution can be reached, such matter will first be submitted to JOC and further escalated to the Joint Steering Committee, i.e. a committee established by the Company and Medtronic pursuant to the Investment Agreement, as needed for settlement. If the matter continues to remain unresolved, e.g. because a party is unsatisfied with the Joint Steering Committee's decision, the unsatisfied party may then request to submit the matter for arbitration in such manner as stipulated under the Services Agreement. The Board is of the view that such clause is beneficial to the Company given that it serves as a protection for the Company from any unreasonable or prolonged suspension of the provision of the services which may affect the commercialization of the Pacemaker Products and the patients in need.

Third Party Services and Incremental Hires:

Despite that the services to be provided by Medtronic regarding the production of the Pacemaker Products during the term involves the access to intellectual property licensed by Medtronic, which is highly commercial sensitive, the Company is entitled to retain certain services from independent third party services providers and make certain incremental hires to assist in the debut production of pacemaker products under the Services Agreement, provided that Medtronic has given a prior written consent to it. The third party services providers will be subject to the same confidential obligations and terms and conditions in relation to the license granted by Medtronic to Lifetech (Shenzhen).

In addition, to further protect the commercial sensitive manufacturing information and Licensed Intellectual Property of Medtronic, the Company and Medtronic have agreed that in the event that additional services are required, Medtronic would have the pre-emptive right to provide those services in addition to the original scope of services over other independent third party services providers. Lifetech (Shenzhen) will pay to Medtronic an additional services fee based on the actual cost incurred. The Company will ensure that the service fees charged by Medtronic will be no less favorable than that charged by the independent third party services providers.

The Board is of the view that such provision is favorable to the Company as it allows the Company to retain relevant services through other third parties when such relevant resources cannot be obtained from Medtronic. Further, it is in the interest of the Company and the Shareholders as a whole to provide an pre-emptive right to Medtronic for provision of relevant services required for the production of the Pacemaker Products given that Medtronic is more familiar with and adept at the production process as compared to other independent third party service providers.

Termination:

The Services Agreement may be terminated prior to expiration of its term by, among other things, (a) material breach of obligations of either party under the Services Agreement; (b) breach of confidentiality obligation by either party; (c) breach of the License Agreements by the Company; (d) mutual consent of both parties; (e) non-payment of the services fee under the Services Agreement by the Company; (f) bankruptcy of either party; (g) change of control of the Company (except in the event where such change is effected from Medtronic's acquisition of a majority interest in the Company); and (h) force majeure.

Following the termination of the Services Agreement, each party to the Services Agreement will cooperate with the other party, at the other party's expense, as reasonably necessary to avoid disruption of the ordinary course of the other party's business that the Services Agreement may be concerned with. Termination shall not affect any right to payment for the services provided prior to expiration or termination, and the service fees provided pursuant to the Services Agreement shall be prorated to the effective date of termination and paid within 30 days after such date.

In the view of the Board, most of the triggering events for termination of the Services Agreement and the rights and duties of the parties after termination are commercial and common. Although the Services Agreement also stipulated that where there is an unacceptable change of control at the Company, Medtronic may have the discretion to terminate the Services Agreement and any of the Agreements upon not less than 30-day advanced written notice and such termination event may be unusual, the Board considers that it is justifiable given that the whole strategic alliance formed between Medtronic and the Company through entering into of the Agreements was premised on the mutual understanding that no other third parties will interfere with the alliance or benefit from the synergy effect of the alliance in the midst of the cooperation between Medtronic and the Company. Thus, in the event that there is a change of control at the Company, the strategic alliance between Medtronic and the Company may be damaged.

Annual caps and basis of calculation:

Given that there might be changes in some parameters and assumptions for determining the annual caps which cannot be predicted or guaranteed to remain valid by the Company, the Company proposes to obtain annual caps for the transactions under the Services Agreement for the five years ending on 31 December 2019 as follows (in RMB millions):

2015	**2016**	**2017**	**2018**	**2019**
121.7	90.6	83.2	47.7	31.8

The annual caps for the years following 2019 will be set by the Company before the expiry of the annual cap for the year ending 31 December 2019 in compliance with Chapter 14A of the Listing Rules.

The proposed annual caps set out above were estimated based on the estimation of costs and expenses to be incurred mainly from the (i) assignment of four full-time Assigned Experts from USA or Singapore (whose allowance, benefits and assignment periods are governed by their respective

employment contracts and global assignment policy of Medtronic) to station in the production facilities of the Company located in Shenzhen for five years as all of the major upgrade of the system has to be completed in first few years before the commercialization of the Pacemaker Product; (ii) required engineer hours or working hours of the existing staff of Medtronic for supporting the provision of the services in respect of (a) the production facility; (b) information technology support to ensure the relevant roadmap, infrastructure and applications are sustainable for pacemaker manufacturing operations; (c) qualifying the manufacturing process steps in particular the sterilization process, and quality assurance documentation and support during the installation of production line, qualification and validation; and (d) product development; (iii) market researches conducted by ZS Associates; (iv) sales support from operations team of Medtronic; (v) clinical study of the products for ascertaining safety and efficacy thereof; (vi) launch activities including conference, physician meetings, training seminars, and other advertising events for the debut sales of pacemaker of the Company; and (vii) sustainable support to ensure continuous improvements in quality systems, supply chain management and regulatory audit support with a buffer of 20% embedded in the proposed annual caps.

In light of the above, the Directors consider that the proposed annual caps are fair and reasonable.

(4) **Continuing OEM Lead Transactions**

Parties:

(i) MSO;

(ii) the Company;

(iii) Lifetech (Shenzhen); and

(iv) Lifetech (Europe).

Nature of transaction:

Pursuant to the OEM Lead Agreement, Lifetech (Europe) will appoint MSO as the manufacturer and supplier for the Lead Products. Lifetech (Europe) will be responsible for registering the Lead Products in Europe and the PRC, and obtaining and maintaining all relevant Regulatory Approvals.

Term:

The OEM Lead Agreement shall commence on the Effective Date and continue in effect for a term of 10 years unless sooner terminated as provided thereunder. Thereafter, the OEM Lead Agreement will be automatically renewed for periods of one year unless a party provides a notice of non-renewal at least 90 days in advance. The commercial rationale for having the OEM Lead Agreement with a 10-year term is same as that for the Equipment Transfer and Component Supply Agreement.

Given that it is commercially sensible and favourable for the Company to secure a stable and timely supply of the Lead Products to pair with the Company's debut commercialisation of Pacing Products in the PRC pacemaker market. Also, it is almost impossible to source the Lead Products up to the industry and regulatory standard in the PRC from other sources as other Pacing Giants and market players are unlikely to conduct OEM for its competitors. Pacing Products are the most sophisticated type of medical device under the classification system promulgated by the CFDA, which normally takes a number of years to develop (depending on the manufacturer's capability in research and development) and around three to four years to conduct clinical trials before commercialization, and thus a long-term OEM Lead Agreement can secure the steady supply of the pacing system to the patients. In addition, the Directors note that another Pacing Giant, Boston Scientific, Inc., has previously entered into an agreement for developing and manufacturing cardiac medical devices for a term of 10 years. Accordingly, the Board is of the view that a 10-year term for the OEM Lead Agreement is favorable to the Company and the Shareholders as a whole and is a normal business practice for agreements of this type to be of such duration.

Pricing:

Lifetech (Shenzhen) will pay MSO the Lead Supply Price as specified under the OEM Lead Agreement. The Lead Supply Price may be adjusted by the parties from time to time in good faith to the extent the parties mutually agree:

Lead Supply Price = cost of production of the Lead Products + premium on the Lead Products to be charged by MSO

As the actual percentage of such premium is highly confidential and commercial sensitive information for both the Company and Medtronic, public disclosure of the actual percentage of the premium or to any of the competitors of the Company or Medtronic would jeopardize the commercial interests of the Company and Medtronic and hamper the prospect of the sales of the Pacing Products. As such, while the Company has disclosed such actual percentage to Optima for their assessment and preparation of the IFA Letter, the percentage will not be disclosed in this circular.

However, given that the premium is lower than the internal benchmark (being the gross profit margin of Medtronic China's pacemaker products for its latest financial year ended 30 April 2014), the Directors are of the view that MSO has not charged an unreasonably high premium on the Company for its customized Lead Products despite the unique nature and exclusive supply of the Lead Products.

Taking into account the fact that the premium to be charged on the Lead Products by MSO is commercially sensible, the promising and reputable quality of the Lead Products manufactured by MSO in the market and the fact that Lead Products are not commercially available for the Company due to the keen competition in the pacemaker market, the Board considers that the Lead Supply Price is fair and reasonable.

Notwithstanding that the actual percentage of the premium to be charged on the Lead Products is not known to the Independent Shareholders, the Directors are of the view that the Independent Shareholders are given sufficient information to make their voting decisions of the Continuing OEM Lead Transaction in light of (i) the fairness and reasonableness of the OEM Lead Prices having been confirmed as discussed above; (ii) the fact that the premium on the Lead Products is lower than the internal benchmark and thus is commercially justified; and (iii) the Company's assurance to the Independent Shareholders of its due and proper conduct and compliance of the Continuing OEM Lead Transaction through the annual review by the independent non-executive Directors and the confirmation by the Company's auditors during the term of the OEM Lead Agreement.

Payment Term:

Lifetech (Shenzhen) shall pay each MSO's invoice no later than 60 days from the date of delivery of the Lead Products or the date of invoice, whichever is later. As this 60-day payment period allows flexibility for the Group's cash management, the Board considers that such payment term is favorable to the Company.

Product Forecasting Process:

Lifetech (Shenzhen) shall submit to MSO quarterly rolling 12-month forecasts covering its anticipated purchases of the Lead Products. In the event that Lifetech (Shenzhen) wishes to revise the monthly forecast, it shall submit the revised forecast to MSO 90 days in advance.

The Board is of the view that such term is favorable to both parties as it gives both parties with certainty of the purchase quantity of the Lead Products such that both parties have a better control of its inventory and production planning.

Surge capacity:

MSO shall have the capacity to satisfy at least 25% increase over the forecasted quantities of the Lead Products to be purchased by Lifetech (Shenzhen) for the first year of the term of the OEM Lead Agreement and 30% for the subsequent years.

The Board considers that such provision is favorable to the Company as it gives a buffer for the possible surge in the demand of Lead Products required for pairing with the sales of the Pacing Products (given that one Pacemaker Product can only function together with one or two Lead Product(s)) in the event that the sales are unexpectedly good.

Delays:

In the event that there is delay in the delivery of the Lead Products but such delay is through no fault of Lifetech (Shenzhen) or the Company and no force majeure event is involved, MSO shall provide a 5% discount on the quantity delayed for more than 10 business days or 10% discount for delay of more than 30 business days.

Given that other supply agreements of components for other medical products entered into between the Group and the other independent third parties also contain similar delay discount, the Board is in the opinion that the delay discount is a standard practice. Such provision is favorable to the Company as it can reduce the risks of delayed delivery of the Lead Products. Any delay in delivery may interrupt the stable supply to the patients and clinics.

Termination:

The OEM Lead Agreement may be terminated prior to expiration of its term, among others, (a) by mutual consent of the parties in writing at any time; (b) by the non-breaching party where the other party has committed a material breach of its obligations thereunder and has failed to cure such breach within a fixed time period; (c) by the non-breaching party where a party has breached its confidentiality obligations and has failed to cure such breach within a fixed time period; (d) by either party if the other party 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 other under any provision of bankruptcy law; (e) by MSO for Lifetech (Shenzhen)'s non-payment of any uncontested invoices; and (f) by MSO for change of control of the Company (except in the event where such change is effected from Medtronic's acquisition of a majority interest in the Company).

Following the termination of the OEM Lead Agreement, MSO shall have no obligation to further supply any of the Lead Products, provided however that (i) expiration or termination shall not affect any right to payment of MSO for the Lead Products supplied prior to expiration or termination, and any outstanding Lead Supply Price shall be paid within sixty days after the effective date of termination; and (ii) MSO shall continue to fulfill any orders of the Lead Products that have been submitted by Lifetech (Shenzhen) and accepted by MSO, unless the termination is due to the Company's breach of the OEM Lead Agreement.

The Board is of the view that the triggering events of the termination and the rights and duties of the parties after termination are not uncommon and as discussed above, the termination event in relation to an unacceptable change of control of the Company to Medtronic is in line with the premises of the strategic alliance that Medtronic cooperates with and provides assistance and support to the Company for its debut sales and production of the Pacing Products as a strategic partner with 19% interest in the Company.

Accordingly, the Board is of the view that the above terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Annual caps and basis of calculation:

Although the OEM Lead Agreement is of a 10-year term, the Board proposes to obtain annual caps for the five years ending 31 December 2019 (with the annual caps for 2015 and 2016 being zero) as the Company builds up the supply and prepares for the distribution of the Lead Products in the PRC. Given that certain changes in some parameters and assumptions for determining annual caps cannot

be predicted by the Company, the annual caps for the years following 2019 will be determined before the expiry of annual cap for the year ending 31 December 2019 in compliance with Chapter 14A of the Listing Rules. The proposed annual caps for the five years ending on 31 December 2019 are set out as follows (in RMB millions):

2015	2016	2017	2018	2019
0	0	11.6	30.2	51.0

The above proposed annual caps are determined based on a number of factors including (i) the Lead Supply Price; (ii) the estimated quantity of the Lead Products to be manufactured by MSO; (iii) management's conservative estimation of the CAGR of the pacemaker market in the PRC from 2017 to 2023 of approximately 12%; and (iv) the annual buffer for the possible increase in the demand of the Components (25% for Year One and 30% for the subsequent years).

In light of (i) the fairness and reasonableness of the Lead Supply Price (as discussed above); (ii) the estimated quantity of the Lead Products being determined with reasonable bases including (a) the anticipated market size of the Pacing Products (which in turn determines the sales quantities of the Lead Products due to the pairing principle of one Lead Product for a single chamber pacemaker and two for the double chamber pacemaker) in the PRC as extracted from ZS Research Report; and (b) the assumption that the Company would be able to obtain one-third of the market share of the local segment of the PRC pacemaker market based on the existing number of competitors in the local market and the competitive advantages of the Company Pacemaker as a result of Medtronic's guidance and assistance; (iii) the surge capacity of 25% for year one and 30% for year two having been agreed by both parties and are stipulated under the OEM Lead Agreement, the Board is of the view that the proposed annual caps above are fair and reasonable and that the Continuing OEM Lead Transactions will be conducted in the Group's ordinary and usual course of business. As the Continuing OEM Lead Transactions represent a business segment that the Group would like to pursue and develop, the Directors believe that they will benefit the business development of the Group.

(5) **Continuing Distribution Transactions**

Parties:

(i) Medtronic China;

(ii) the Company; and

(iii) Lifetech (Shenzhen).

Nature of transaction:

Pursuant to the Distribution Agreement, the Company will grant Medtronic China exclusive distribution rights to Pacing Products in the PRC for 10 years. Medtronic China and its sub-distributors will have the exclusive right to advertise, promote, market, distribute, sell and

provide technical case support for the Company's Pacing Products in the PRC. Further, Medtronic China shall provide customer and physician training as necessary. Actual distribution for a specific Pacing Product will not commence until the applicable proper Regulatory Approval has been obtained for that product by Lifetech (Shenzhen).

The Company engages Medtronic China as its exclusive distributor for the Pacing Products because Medtronic China has a distribution network that reaches to over 1,100 hospitals in the PRC. Such an extensive distribution network shows a strong presence and leading position of Medtronic China in the PRC pacemaker market as compared to other small-scale distributors which have been engaged by the Company for other medical products. Accordingly, the Board is of the view that the grant of exclusive distributorship to Medtronic China for its Pacing Products is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Term:

The Distribution Agreement shall commence on the Effective Date and continue in effect for a term of 10 years unless sooner terminated pursuant to the termination provisions thereunder. Thereafter, the Distribution Agreement will be automatically renewed for periods of one year unless a party provides a notice of non-renewal at least 90 days in advance.

As the Directors note that a number of comparable distribution agreements entered into by the Pacing Giants or other several comparable listed companies for cardiovascular devices are of a duration ranging from three years to 15 years, they are of the view that the duration of the Distribution Agreement is commercially justifiable and favorable to the Company and the Shareholders as a whole, and is a normal business practice for agreements of this type to be of such duration.

Pricing:

For each type of Pacing Products purchased by Medtronic China under the Distribution Agreement during, Medtronic China shall pay to Lifetech Shenzhen.

The Transfer Price for Year One is to be determined based on the average selling prices of Medtronic's pacing products in the PRC market with a 15% discount to the Company's brand, plus a margin to be given to Medtronic China in respect of its distribution of the Pacing Products through its network:

Transfer Prices on Year One = P1 x (1-15)% x (1 − M)

** P1 = the average selling prices of Medtronic's Pacing Products in the PRC market*
** M = the margin to be charged by Medtronic China for its distribution of the Pacing Products*

The Directors consider that the mechanism to determine the Transfer Price on Year One is fair and reasonable, and is in the interest of the Company and the Shareholders as a whole because (i) the average selling price of Medtronic's own pacing products is a fair benchmark for determining the Transfer Price as it shows the market acceptance and demand for the Pacing Products of similar

qualities; (ii) a discount of 15% to the Pacing Products is commercially justified taking into account that Medtronic's pacing products under its own names in the PRC pacemaker markets is more reputed and widely accepted; (iii) the margin to be charged by Medtronic China for its distribution (which has been disclosed to the IFA but is not disclosed herein due to the commercial sensitivity of such information and leakage of the same may cause potential risks of jeopardizing the commercial interests and prospects of both the Company and Medtronic) is lower than that to be charged by other independent distributors of the Company in respect of the distribution of Company's other medical products such as the occluder and heartvalve products; and (iv) the distribution and sales network of Medtronic China can reach to more than 1,100 hospitals in the PRC pacemaker market.

The Transfer Price for the Pacing Products for the subsequent year immediately following Year One may be adjusted by the parties upon mutual agreement in good faith within 30 days of the expiry of Year One. The same formula (i.e. applying 15% discount to the average selling price of Medtronic's Pacing Products plus an agreed margin maintained by Medtronic China) shall be used to adjust the Transfer Price during the third and subsequent years of the Distribution Agreement, with an assumption that the average selling price of the Pacing Products will decrease by approximately 2% per annum:

Subsequent Transfer Price = P2 x (1 − M)

P2 = the actual average selling prices of the Pacing Products sold though Medtronic China's network in the PRC in previous year

M = the margin to be charged by Medtronic China for its distribution of the Pacing Products

The Directors consider that such adjustment mechanism is fair and reasonable due to the fact that (i) the average actual selling price of the Pacing Products is a good measure of the selling performance of the Pacing Products distributed through Medtronic China's network; and (ii) as discussed above, the margin to be charged by Medtronic China for its distribution of the Pacing Products is lower than the margin which have been charged by other independent distributors of the Company for the distribution of the Company's other medical products such as occluder and heartvalve products.

Payment Term:

Medtronic China's payments to Lifetech (Shenzhen) shall be 60 days after the date of invoice or the date of delivery, whichever is later. Like the payment term of other Agreements, the Board is of the view that the 60-day payment period is reasonable to the Company.

Annual Sales Target and Minimum Purchase Quantities:

At the end of each Medtronic fiscal year, Lifetech (Shenzhen) and Medtronic China will negotiate in good faith to determine the reasonable annual sales target for each Pacing Product that Medtronic China will distribute for the next year.

At the end of each fiscal year, the JOC shall establish a minimum purchase quantity for the Pacing Products for next fiscal year. In the event that Medtronic China failed to purchase the minimum amount of Pacing Products or remedy such situation in 60 days, Medtronic China shall no longer be the exclusive distributor for the Pacing Products and Lifetech (Shenzhen) would be entitled to authorize other distributor or sales agent to substitute Medtronic China's role.

Leaving the annual sales target for negotiation between the Company and Medtronic China instead of fixing the same in the Distribution Agreement is, in the opinion of the Board, beneficial to the Company given that by so doing, there is more flexibility and room for articulating the Company's production plan for the coming year in terms of its production capacity, labour force arrangement, and capital deployment. Also, the annual sales target gives a preliminary portray of the annual sales to be contributed by the sales of the Pacing Products such that it is more adaptive to the overall business development plan of the Group as a whole.

Termination:

The Distribution Agreement may be terminated in whole, or in part (e.g. on a "per-product" basis) prior to the 10-year term, among others, (a) by mutual consent of the parties in writing at any time; (b) by the non-breaching party where the other party has committed a material breach of its obligations thereunder and has failed to cure such breach within a fixed time period; (c) by the non-breaching party where a party has breached its confidentiality obligations and has failed to cure such breach within a fixed time period; (d) by either party if the other party 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 other under any provision of bankruptcy law; (e) by the Company if Medtronic China fails to pay any uncontested unit prices for the Pacing Products or other amounts due under the Distribution Agreement; (f) by Medtronic China due to the Company's breach of its obligations in relation to its use of license under the License Agreements; and (g) by Medtronic China for change of control of the Company (except in the event where such change is effected from Medtronic's acquisition of a majority interest in the Company).

If the Distribution Agreement is terminated pursuant to any of the rights above, the terminating party may then, in its sole discretion, also terminate the Equipment Transfer and Component Supply Agreement, the OEM Lead Agreement and the Services Agreement.

Following the termination of the Distribution Agreement, Lifetech (Shenzhen) shall no longer have any obligation to further supply any of the Pacing Products, provided however that (i) the termination shall not affect any right to payment of Lifetech (Shenzhen) for the Pacing Products already supplied prior to the termination, and any payments for the Pacing Products shall be paid within 30 days after the effective date of termination; and (ii) to the extent permitted by the Agreements, Lifetech (Shenzhen) shall continue to fulfill any orders of the Pacing Products that have been submitted by Medtronic China and accepted by Lifetech (Shenzhen), unless the termination is due to Medtronic China's breach of the Distribution Agreement. In addition, upon termination of the Distribution Agreement, Lifetech (Shenzhen) shall promptly return to Medtronic China all of the properties of Medtronic China and execute such documents and take other actions as reasonably requested by Medtronic China in connection therewith.

The Board is of the view that the triggering events for termination of the Distribution Agreement and the rights and duties of the parties after the termination are usual ones. Although termination due to change of control of the Company may be relatively unusual, this termination ground can be justified by reason that the whole strategic alliance formed between Medtronic and the Company through entering into of the Agreements was premised on the mutual understanding that no other third parties will interfere with the alliance or benefit from the synergy effect of the alliance in the midst of the cooperation between Medtronic and the Company and there being an unacceptable change of control at the Company to Medtronic may jeopardize the whole alliance.

Annual caps:

In light of the preliminary timeline of the Transactions, the Company expects that the distribution of the Pacing Products will commence in 2019. Thus, the Company intends to set the annual caps for the three years ending 31 December 2019, 2020 and 2021 only before the sales and commercialization of the Pacing Products are about to commence. The Company will comply with the relevant requirements under the Listing Rules for the Continuing Distribution Transactions at that time.

(6) **Continuing License Transactions**

Parties:

(i) MSO;

(ii) the Company; and

(iii) Lifetech (Shenzhen).

Nature of transaction:

Pursuant to the License Agreements, MSO will grant to the Company a non-exclusive, royalty-bearing, non-transferable license to the Licensed Intellectual Property in China together with any Licensed Trademark for the design, assembly and sale of pacemakers and for lead which are used with Pacemaker Products.

Term:

The term of the License Agreements commences from the Effective Date with and shall continue for 50 years unless earlier termination by the parties.

The royalty payable under the License Agreements is intended to be MSO's compensation for MSO's proprietary know-how and related materials that will be licensed to and made available to, the Company in the course of providing services to the Company, and which the Company will retain for use for 50 years after the Services Agreement expires.

Notwithstanding that the duration of the License Agreements is more than three years, in light of the other comparable agreements entered into by Medtronic or its Affiliates, and other third parties which involve implantable medical device and the license of technology or trademarks and have a duration ranging from one year to perpetual (and if excluding those comparable agreements with perpetual terms, the duration of the other comparable agreements ranges from one year to 30 years), the Board considers that it is commercially sensible and is in line with normal business practice for the License Agreements to be of such duration, and that the term is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Royalty:

In consideration for the license granted under each of the License Agreements, the Company will pay MSO 12.5% of the Company's Net Sales of the implantable cardiac rhythm therapy device to a third party or Medtronic China. Royalties payable under the License Agreements and the royalties payable on the incremental sales revenue under the services agreement entered into between the Company and Medtronic (dated 14 October 2012 and amended subsequently on 5 January 2013 and 24 January 2014 in the relevant supplemental agreements), which is one of the Existing Agreements, will be non-stacking, i.e. no royalty payable under the Existing Agreements will be payable on such incremental sales revenue that is due to the Net Sales under the License Agreements that incur the royalty under the License Agreements.

When determining the 12.5% royalty rate, the Company has made references to the royalty rates of those comparable agreements and the royalty rates of the licensing transactions relating to granting of intellectual property in the medical industry as set out in a research report named 'Royalty Rates for Technology — 5th Edition' dated October 2012, which was prepared by IPRA, Inc, an independent consulting and publishing organization dedicated to discovering new information and innovative methods regarding the value and pricing of intellectual property including technological know-how, patents, trademarks, copyrights, trade secrets and other intellectual properties and intangible assets. The information contained in this research report has been collected since September 1990 through 2012 and is considered to represent a comprehensive collection of technology pricing information. As stated in the report, there are a total of 73 market transactions relating to granting of intellectual property in the medical industry which determine the royalty rate by reference to the sales rather than other financial parameters, and the royalty rates of such transactions all range from approximately 0.5% to approximately 20% of sales.

Accordingly, given that the royalty rate of the License Agreements falls within both of the abovementioned ranges of royalty rate, the Board considers that it is fair and reasonable and that the terms of the License Agreements are (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) fair and reasonable so far as the Independent Shareholders are concerned, and (iv) are in the interests of the Group and the Independent Shareholders as a whole.

Payment Term:

The Company will pay MSO royalties incurred in each reporting period of the Company within 60 days after the Company's financial report for the respective reporting period becomes publicly available. In the view of the Board, such 60-day payment period is favorable to the Company.

Termination:

Early termination of the License Agreements is allowed by, among others, (a) mutual consent of the parties in writing at any time; (b) the non-breaching party where the other party has committed a material breach of its obligations thereunder and has failed to cure such breach within a fixed time period; (c) the non-breaching party where a party has breached its confidentiality obligations and has failed to cure such breach within a fixed time period; (d) either party if the other party 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 other under any provision of bankruptcy law; (e) by MSO if the Company fails to pay any uncontested royalties due hereunder within thirty days following any due date provided in the License Agreements; (f) by MSO due to termination of any of the other Agreements or any of the Existing Agreements for reasons that are not attributable to Medtronic; and (g) by MSO for change of control of the Company (except in the event where such change is effected from Medtronic's acquisition of a majority interest in the Company).

Upon the termination of the License Agreements, (a) MSO will have the right to retain any sums already paid by the Company under the License Agreements, and the Company will pay all sums accrued that are then due under the License Agreements; and (b) the Company will discontinue all use of the Licensed Intellectual Property. However, the termination of the License Agreements will not affect MSO's right to royalties, and the confidentiality obligations of the parties shall remain effective indefinitely.

The Board views that most of the termination grounds for the License Agreements and the rights and duties of the parties after the termination are usual ones. Although the early termination by MSO due to change of control at the Company may appear to be unusual, as previously explained, this termination ground is justified given the whole strategic alliance formed between Medtronic and the Company through entering into of the Agreements was based on the mutual understanding that no other third parties will interfere with the alliance or benefit from the synergy effect of the alliance in the midst of the cooperation between Medtronic and the Company. Thus, if there was unacceptable change of control at the Company, the whole strategic alliance might be ruined.

Annual caps:

Under the License Agreements, the Company shall pay the royalty only after commencement of the sales of the Pacing Products, which is expected to be in 2019. Accordingly, the Company intends to set the annual caps for the three years ending 31 December 2019, 2020 and 2021 only before the sales and commercialization of the Pacing Products are about to commence. The Company will comply with all relevant requirements under the then Listing Rules for the Continuing License Transactions at that time.

INTERNAL CONTROL OF THE COMPANY IN RELATION TO THE TRANSACTIONS

In order to ensure that there is an adequate and appropriate internal control system in relation to the Continuing Connected Transactions so as to safeguard the interests of the Independent Shareholders, the Company will ensure that the Transactions will be conducted pursuant to the requirements as follows:

(i) The transaction values of the respective Transactions will not exceed the respective proposed annual caps based on the following internal control procedures of the Company:

(a) *Equipment Transfer and Component Supply Agreement:*

Responsible Department/Personnel:

The Company's Supply Chain Management Department (Department Head) and Audit Department (Legal and Compliance Department Head)

Procedures:

The Company's Supply Chain Management Department will check that the prices on purchase orders for the procurement of components match with the prices stipulated in the Equipment Transfer and Component Supply Agreement before each of the purchase orders is signed off by the Department Head placed by the Company. In addition, upon receiving the invoices issued to the Company for its purchase of components, the Company's Finance Function Department will check that the prices thereon match with the prices on the purchase orders and those as stipulated in the Equipment Transfer and Component Supply Agreement before such invoices are signed off by the Department Head indicating approval thereof and before payment is made by the Company. The Company's Audit Department and third party auditor to be appointed by the Company will conduct periodic audit review of the purchase orders and the invoices in order to verify and confirm that the procedure is in place and being followed according to the ISO 13485 Requirement.

The ISO 13485 Requirement is a set of procedures and requirements established by the International Organization for Standardization to ensure that purchased medical device products conform to specified purchase requirements. The Board believes that basing the Company's internal control measures for the Transactions on such internationally-recognized standard can ensure that the Transactions are conducted in the interests of the Company and its Shareholders as a whole.

(b) *Services Agreement:*

Responsible Department/Personnel:

The Company's Finance and Pacemaker Project Department (respective department head) and respective representatives who are sent to JOC

Procedures:

The actual expense and expense forecast of all service fees will be reviewed and approved by the JOC quarterly. Prior to the end of, but no later than thirty days before the end of each quarter, Medtronic shall submit to the JOC a written proposed list of services to be provided by Medtronic to the Company in the next quarter (the "Service Proposal") and the estimated cost for such services. Medtronic shall only commence the proposed services after the JOC (comprising both the members appointed by the Company and Medtronic) has reviewed and approved the content of the Service Proposal. In no event will the service fees exceed the agreed Service Proposal by more than 20% without prior written approval of the JOC.

Within the Company, this type of review will be done quarterly or shorter by the Company's Finance and Pacemaker Project Department. Where appropriate, the Company will also conduct comparison of service fees with the available quotes obtained from other independent third parties with comparable competence, operational scale and industry expertise as Medtronic by the Pacemaker Project Department. In the event that the Company has good reason to believe there is a discrepancy in the services fees charged by Medtronic in comparison to a comparable independent third party as described above, the Company may escalate the matter under the dispute resolution provisions of the Services Agreement. Together with the annual review of the Continuing Service Transactions by the independent non-executive Directors and auditors of the Company, the Directors are of the view that sufficient procedures are in place to ensure the Continuing Service Transactions are to be conducted according to the Services Agreement and the relevant requirements under the Listing Rules.

(c) *OEM Lead Agreement:*

Responsible Department/Personnel:

The Company's Supply Chain Management Department (Department Head) and Audit Department (Legal and Compliance Department Head)

Procedures:

The Company's Supply Chain Management Department will check that the prices on purchase orders for the procurement of Lead Products match with the prices stipulated in the OEM Lead Agreement before each of the purchase orders is signed off by the Department Head placed by the Company. In addition, upon receiving the invoices issued to the Company for its purchase of Lead Products and prior to payment being made by the Company, the Company's Finance Function Department will check that the prices thereon match with the prices on the purchase orders and those as stipulated in the OEM Lead Agreement before such invoices are signed off by the Department

Head indicating approval thereof. The Company's Audit Department and third party auditors to be appointed by the Company will conduct periodic audit review of the purchase orders and the invoices in order to verify and confirm that the procedure is in place and being followed according to the ISO 13485 Requirement.

(d) *Distribution Agreement:*

Responsible Department/Personnel:

The Company's Pacing Business Unit (head of Business Unit) and Finance Function Department (Department Head)

Procedures:

To ensure the pricing adjustment mechanism under the Distribution Agreement shall be strictly followed and that the relevant annual cap for any given year will not be exceeded, Medtronic shall provide sufficient evidence to the Company for its average selling prices of the pacing products.

The Company will set up the "Pacing Business Unit", which, together with the Company's Finance Function Department, will be responsible for such verification. The verification will be conducted by (1) reviewing the information on resale prices in preceding fiscal year of Medtronic provided by Medtronic China; (2) collecting market information on pricing of similar products selling in those territories as defined under the agreement via the Company's own Sales and Marketing Force or other independent consultancy firms; and (3) if necessary, engaging an independent third party to audit the relevant average selling prices for the Pacing Products. In the event that the Company has good reason to believe there is an error in the average selling price information provided by Medtronic, the Company may escalate the matter under the dispute resolution provisions of the Distribution Agreement.

(e) *License Agreements:*

Responsible Department/Personnel:

The Company's Finance Function Department (Department Head) and Supply Chain Management Department (Department Head)

Procedures:

The Company's Supply Chain Management Department will maintain separate books and records relating to this project's sales separate from other sales (the "Sales Records"). The Company's Finance Function Department will keep the books and accounts relating to this project's sales separately from other sales (the "Accounts"). The Company's Finance Function Department will also calculate the royalty payable to Medtronic, which calculation shall be signed off by the Department Head indicating

approval thereof before payment is made by the Company. On an annual basis, the Company's Audit Department will reconcile the Sales Records and the Accounts in order to ensure that the royalty payable to Medtronic pursuant to the License Agreement is only based on this project's sales but not other sales. In addition, the Company's Audit Department and third party auditor to be appointed by the Company will verify and confirm that the procedure is in place and being followed in accordance with the ISO 13485 Requirement.

(ii) The independent non-executive Directors shall review the Transactions and confirm every year in the Company's annual report and accounts that the Transactions have been entered into:

(a) in the ordinary and usual course of business of the Company;

(b) either on normal commercial terms or on terms no less favorable to the Company than those offered by independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

INFORMATION ON MEDTRONIC, MSO AND MEDTRONIC CHINA

To the best understanding, knowledge and belief of the Directors, Medtronic Inc. is a subsidiary of Medtronic plc, one of the largest medical technology companies groups in the world. The Medtronic group is composed of several business units which develop and manufacture medical devices, therapies and services-based solutions. Founded in 1949, Medtronic initially developed products that revolved around the cardiac rhythm disease area but now additionally operates in cardiac and vascular, diabetes, neuromodulation, surgical technologies, spinal, minimally invasive therapy and medical supply segments. The Medtronic group has a workforce of around 85,000 employees, 56 research and development centres around the world, more than 53,000 patents for its products, and a global medical device distribution network covering more than 160 countries as at the Latest Practicable Date. According to the QY Pacemaker Research Report, Medtronic is one of the major players in the international pacemaker markets with more than 40% of the market share in terms of production quantity.

One of the key strengths of Medtronic is its sales and distribution. In the USA and Europe, most of Medtronic's products are sold through direct sales representatives. Outside these geographies, Medtronic sells through a combination of both direct sales representatives and independent distributors.

Another competitive edge that Medtronic possesses is the exceptional quality and career experience of the executive management team. Almost all executive officers have held positions related to their current roles for over two decades, all of which were at large corporations or renowned biomedical research institutes. The executive management team of Medtronic is well experienced in both healthcare and corporate management to strategically lead a multinational company such as Medtronic in the competitive industry of medical devices.

Medtronic is a substantial shareholder of the Company as it holds approximately 19% of the issued share capital of the Company. Accordingly, it is a connected person of the Company as defined under the Listing Rules.

MSO is principally engaged in the manufacture of implantable cardiac rhythm devices as well as the sales, marketing and distribution of products of Medtronic.

Medtronic China is principally engaged in sales, marketing, distribution, regulatory, clinical and research and development for products of Medtronic in the PRC.

INFORMATION ON THE COMPANY, LIFETECH (SHENZHEN) AND LIFETECH (EUROPE)

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, the Netherlands, India, Russia and France.

As a leading medical device company in China, the Company has built up a strong worldwide sales network, offering a broad range of products to over 78 countries across Asia, Europe, South America, North America and Africa. The Group's products are distributed mainly through its network of distributors consisting of nearly 142 distributors worldwide.

Lifetech (Shenzhen) and Lifetech (Europe) are the operating subsidiaries of the Group based in Shenzhen, China, and the Netherlands, respectively, which are engaged in assembling and manufacturing pacemaker products under the Agreements.

There are three lines of business in the Group, namely congenital and structural heart diseases business, surgical vascular repair business and peripheral vascular diseases business, providing clinically effective and commercially attractive product offerings. Up to the Latest Practicable Date, the Group has developed and brought to market 10 products with approval from CFDA, 28 products with CE marking and three products that have passed the review of the Food and Drug Administration of USA.

JUSTIFICATION, REASONS AND BENEFITS FOR THE COMPANY TO ENTER INTO THE AGREEMENTS

Since the formation of the strategic alliance between Medtronic and the Company in 2012, with the assistance, training and advice provided by Medtronic and the benefits of Medtronic's strong sales and distribution network and reputation in the medical devices industry, the Company has seen growth in both its revenue and operating profits from producing and selling medical devices in the PRC and across the world.

According to a data analysis referred to in the QY Pacemaker Research Report, China's demand for pacemakers is now growing and is expected to continue to grow. The Board believes that there is a huge business potential in the current domestic market which is yet to be fully developed because of (i) China's accelerated aging population; (ii) greater medical insurance coverage; (iii) lower cost of domestic pacemakers, which is only about 66% of the imported pacemakers; (iv) increased spending power for medical device products; (v) increasing need for medical device; (vi) the fact that there is currently only one domestic company for pacemakers production in the PRC pacemarker market; and (vii) the national policy supporting the expansion of medical device market in the PRC.

As such, in light of the growing demand in the PRC pacemaker market and the strength of Medtronic as the world's leading pacemaker manufacturer, the Company decided to expand its strategic alliance with Medtronic to include pacemakers manufactured in and for the PRC through entering into the Agreements.

The Agreements help to expand and strengthen the strategic alliance between the Company and Medtronic in the following ways:

(i) Under the Equipment Transfer and Component Supply Agreement, MSO would supply the necessary equipment for setting up the production line and secure supply of the customized components with Medtronic's patented technology for the manufacturing of pacemaker products;

(ii) Under the OEM Lead Agreement, Lifetech (Europe) would appoint MSO as its exclusive original equipment manufacturer and supplier for the Lead Products in order for the Group to have the Lead Products under its own brand name and be capable of selling the Pacemakers Products pairing with necessary number of the Lead Products (one or two) as a package;

(iii) Medtronic would, through designating four expatriate experts from Medtronic to station in the Company's production facility in Shenzhen and other part-time or short-term personnel under global assignment of Medtronic, provide consulting services and full-fledged support to the Company in the latter's debut production of the Pacemaker Products in every aspect pursuant to the Services Agreement. The services to be provided include those in relation to facility build-up, production line set-up, quality assurance and validation, compliance, supply chain and logistics, material and equipment sourcing, product development, product testing, clinical trial, product commercialisation and post commercial of products;

(iv) MSO would license its intellectual property and technical know-how for manufacturing and commercializing the Pacing Products in the PRC to the Company in accordance with the License Agreements; and

(v) The Distribution Agreement allows the Company to benefit from Medtronic China's extensive sales and distribution network, as well as its expertise to help promote, market, distribute and sell the Pacing Products in the PRC.

The Board believes that such expansion of the Company's strategic alliance with Medtronic will enable the Company to achieve synergies in collaboration with Medtronic and to become a world-class leading medical device player. Medtronic, being a globally recognised and well-regarded market player in the medical device industry, will bring in technical, operational and management expertise with a view to improving the internal system, business operation, research and development, production and sales operation of the Company; while the Company, being an emerging player in the medical devices industry in the PRC, will benefit from the cutting edge industry expertise of Medtronic for product development and brand-building.

As such, the entering into of the Agreements is in line with the long-established goal of the Group to commercialise the Pacing Products under its own name and thus enter into the PRC pacemaker market to seize market share from the local manufacturers.

In determining that the Transactions as a whole is beneficial and favorable to the Company and there is overall synergy effect arising therefrom which would benefit the Group, the Company and Medtronic have adopted the TNM Method under the OECD Guidelines.

Under the TNM Method, a profit level indicator ("PLI") shall be chosen for comparing the profitability of the subject transactions and given a commonly used PLI for service providers including contract manufacturers is the return on total costs ratio calculated based on the following formula, which was adopted for further assessment of the pricing of the Transactions:

return on total costs ratio = operating profit / (operating expenses + cost of goods sold)

From the above, the return on total costs of the Transactions was calculated based on the operating profit to be generated from the sales of the Pacing Products over the cost of goods sold and operating expenses incurred from the Transactions including, among other things, the costs of the Components for the manufacturing of the Pacemaker Products under the Equipment Transfer and Component Supply Agreement, the royalty to be charged by MSO under the License Agreements, the service fees payable by the Company to Medtronic for the provision of consultative services by Medtronic under the Services Agreement, and other general operating expenses incurred in the Transactions. Based on the above formula, the return on total costs of the Transactions is approximately 23.3%.

In assessing whether the Transactions as a whole is favourable to the Company, the return on total costs of the Transactions was compared with (i) the return on total costs of the Pacing Giants; (ii) the return on total costs of each of the other 19 comparable companies in the European countries which were screened out by Deloitte Tax LLP from a database called "Amadeus" (containing comparable financial and business information on Europe's biggest 510,000 public and private companies by assets and data including standardised annual accounts, financial ratios, sectoral activities and etc for more than 3 million companies in 43 countries) and are based on the criteria including, among other things, (a) the principal business of the companies being the manufacturing of medical and dental instruments and supplies and being classified under the category of surgical, medical and dental instruments and supplies of Standard Industrial Classification; (b) date of the incorporation being on or before 2007 (so as to exclude companies which are at the early development stage likely to incur start-up costs or losses); (c) financial information (i.e. operating income)

having been published and for three consecutive years with 2013 and 2012 as years of last available accounts; (d) no reported operating loss; (e) significant intangibles owned to conduct business; and (iii) the average return on total costs of the Company as a whole calculated based on the published financial information for the three years ended 31 December 2013 which is approximately 22.0%.

Based on the comparison, it is noted that the return on total costs of the Transactions (i.e. 23.3%) (i) falls within the range of the Pacing Giants' return on total costs which is from 2.5% to 33.3% and is lower than the maximum return on total costs generated by St. Jude, but the Pacing Giants are not completely comparable to the Company given the difference in the scale of the operations and the market position. The 23.3% return on total costs of the Transactions is significantly higher than the mean of that for the other 19 comparable companies (i.e. 6%) as well as the upper end of the interquartile range from approximately 2.7% to 8%; (iii) is just slightly lower than the upper outlier of 25%, which reflects that the return on total costs of the Transactions is generally higher than the average level of the return on total costs generated by other market players. Further, comparing it to the average return on total costs of the Company for the three years ended 31 December 2013 (i.e. 22.0%). Thus, the Directors consider that the Transactions and the whole strategic alliance are favourable to the Company and are therefore in the interests of the Company and the Shareholders as a whole.

However, despite the Directors' view that the Transactions as well as the strategic alliance established between the Company and Medtronic since 2012 in respect of the production of various implantable medical devices would be a prime opportunity and stepping stone for the Company to enhance its market position in the PRC medical device market and to enter into the PRC pacemakers market (being a new segment of the PRC industry), the Directors wish to draw the Independent Shareholders' intention to the possible risks regarding the Transactions:

(i) *Significant reliance on Medtronic*: As the production and sale of the Pacing Products are completely new to the Company, the Company will have to rely on Medtronic's technical know-how, designated expatriate experts and other consultative services under the Services Agreement, its transfer of the Equipment required for setting up the production line and supply of the highly customized Components designed and manufactured by MSO for the manufacturing of the Pacemaker Products under the Equipment Transfer and Components Supply Agreement, and its distribution channel with more than 1,100 hospitals in the PRC, which may lead to over-reliance on Medtronic. However, the Board considers that this risk would be mitigated given that the Board is capable of monitoring the progress, budget, milestones and all operating issues of the Transactions through the JOC established by both the Company and Medtronic;

(ii) *Pricing dependence on Medtronic China's distribution prices:* As the Transfer Price will be determined and adjusted based on the actual average selling prices of the Pacing Products to be sold by Medtronic China to the customers in the PRC market, this may affect the flexibility or autonomy of the Company in its pricing strategy. However, the Board considers that the revenues of the Company generated from the sales of the Pacing Products to Medtronic China for distribution would not be jeopardized even its pricing is highly dependent on Medtronic China as the selling prices of the Pacing Products by Medtronic

China to the PRC customers are mainly determined by the market forces (in particular, the customer with strong bargaining power such as the hospitals in the PRC which source their Pacing Product through public tender) and it is unlikely that Medtronic China would set an unfavorable selling prices which will jeopardize its sales volume and its revenues.

(iii) *Decreasing selling prices of the Pacing Products:* Given that there is a general decrease in the selling prices of the Pacing Products of approximately 2% per annum due to the obsolete nature of the medical devices, the transfer prices of the Pacing Products to be received by the Company may be affected adversely. However, taking into account that the number of pacemaker implant in the PRC is expected to grow with a CAGR of approximately 16% from 2019 to 2028 based on the research prepared by ZS Associates, the Directors are optimistic about the prospects of the sales of the Pacing Products in the PRC;

(iv) *Long duration of the Transactions:* The strategic alliance formed between the Company and Medtronic under the Agreements is expected to last for 10 years based on the duration of the Agreements (save for the License Agreements), which may affect the flexibility of the Company to seek for other favourable alternatives to the strategic partners or form of alliance in the coming 10 years. However, the Directors are of the view that such duration is justified taking into account that some comparable companies also entered into similar agreements of 10-year term or longer and the benefits for having the Agreements of such duration. With such duration, the Company is capable of securing the provision of consultative advice and supply of equipment for the setting up of the production line, a stable supply of customized components, and a guaranteed distribution network that covers more than 1,100 hospitals in the PRC for the sales of the Company's debut Pacing Products.

In addition, the Board wishes to draw the Shareholders' attention that given that each of the Agreements and Transactions is inter-connected with one another and the entire expanded strategic alliance through manufacturing and commercialization of the Pacing Products in the PRC cannot work in the absence of any one of the Agreements and Transactions thereunder, the Effective Date of each of the Agreements depends on all of the Agreements being approved by the Independent Shareholders. Thus, in the event that any one of the Agreements is not approved by the Independent Shareholders, none of the Agreements can and will take effect on its own and none of the Transactions contemplated under the Agreements will commence such that the entire proposed expansion of strategic alliance between the Company and Medtronic will fall through.

Accordingly, in light of the overall synergy effect arising from the entering into all of the Transactions, the Directors are of the view that a consolidated resolution, instead of separate resolutions, to approve all of the Agreements and the Transactions contemplated thereunder is in the interests of the Company and the Shareholders as a whole.

IMPLICATION OF THE TRANSACTION UNDER THE MAIN BOARD LISTING RULES

As Medtronic is a substantial shareholder of the Company holding approximately 19% of the issued share capital of the Company and hence a connected person of the Company under the Listing Rules, the transactions contemplated under the Agreements (except in relation to the Transfer pursuant to the Equipment Transfer and Component Supply Agreement) constitute non-exempt continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules.

Given that the Transfer pursuant to the Equipment Transfer and Component Supply Agreement is of a one-off nature instead of being conducted on a recurring basis, it is a one-off connected transaction, and thus no annual caps are required under the Listing Rules. In addition, as the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Transfer do not exceed 5%, the Transfer does not constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules.

In regards to other Transactions under the Agreements, as the applicable percentage ratios (other than the profit ratio) calculated under Rule 14.07 of the Listing Rules for their respective annual caps are higher than 5%, the transactions under the Agreements are therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under the relevant Listing Rules.

The Independent Board Committee has been formed, comprising all the independent non-executive Directors to provide recommendation to the Independent Shareholders in relation to the Agreements and the transactions contemplated thereunder. In particular, the Independent Board Committee will advise the Independent Shareholders as to whether the terms and conditions 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. None of the members of the Independent Board Committee has any material interest in the transactions contemplated under the Agreements.

The Directors consider that the terms of the Agreements are on normal commercial terms, fair and reasonable, and that the transactions thereunder are in the interests of the Company and the Shareholders as a whole.

Optima has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Agreements as well as whether it is normal business practice for the same types of the agreements to be of a duration longer than three years under Rule 14A.52 of the Listing Rules.

ADDITIONAL INFORMATION

Mr. MARTHA Geoffrey Straub and Mr. MONAGHAN Shawn Del are both appointed by Medtronic as the Directors of the Company pursuant to the terms of the Existing Agreement. They may be regarded as having a material interest in the transactions contemplated under the Agreements, and had therefore abstained from voting in respect of the relevant resolutions passed at the Board meeting held for considering and approving the terms of the Agreements. Save as disclosed above, none of the Directors has a material interest in the Agreements.

EGM

Set out on pages 98 and 99 of this circular is the notice convening the EGM to be held at Floor 3, Cybio Electronic Building, Langshan 2nd Street, North Area of High-tech Park, Nanshan District, Shenzhen, PRC on 7 May 2015 at 10:00 a.m., at which ordinary resolutions will be proposed to approve the terms of the Agreements and the annual caps thereunder, details of which are set out in the notice of the EGM. The resolutions to be considered and, if thought fit, approved at the EGM will be voted by way of poll by the Independent Shareholders.

Given that Medtronic is a connected person with material interests in the transactions contemplated under the Agreements, Medtronic and its associates which hold 760,000,000 Shares of the Company (approximately 19% of the issued share capital of the Company) as at the Latest Practicable Date, shall abstain from voting in respect of the resolutions approving the Agreements and the transactions contemplated thereunder. Save for the above, no other Shareholders are required to abstain from voting in respect of the resolutions to be proposed at the EGM.

The Independent Board Committee has been formed to provide recommendation to the Independent Shareholders on the terms of the Agreements and the transactions contemplated thereunder, and the Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

RECOMMENDATIONS

Your attention is drawn to:

a. the letter from the Independent Board Committee set out on pages 49 and 50 of this circular which contains its recommendation to the Independent Shareholders;

b. the letter from the Independent Financial Adviser set out on pages 51 to 90 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders; and

c. additional information set out in the appendix to this circular.

In view of the above, the Directors consider that the terms of the Agreements are normal commercial terms, fair and reasonable, and in the best interest of the Company and the Shareholders as a whole and they recommend the Shareholders to vote in favour of the resolutions at the EGM.

As mentioned above, the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreements.

Yours faithfully
For and on behalf of the Board
XIE Yuehui
Chairman, Chief Executive Officer
and Executive Director

LIFETECH SCIENTIFIC CORPORATION

先健科技公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1302)

20 April 2015

To the Independent Shareholders

Dear Sir or Madam,

NON-EXEMPT CONNECTED TRANSACTION IN RELATION TO (1) THE EQUIPMENT AND COMPONENT SUPPLY AGREEMENT (CONNECTED EQUIPMENT TRANSFER TRANSACTION) AND NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS IN RELATION TO (2) THE SUPPLY OF COMPONENTS PURSUANT TO THE EQUIPMENT AND COMPONENT SUPPLY AGREEMENT (CONTINUING COMPONENT TRANSACTIONS) (3) THE SERVICES AGREEMENT (CONTINUING SERVICE TRANSACTIONS) (4) THE OEM LEAD AGREEMENT (CONTINUING OEM LEAD TRANSACTIONS) (5) THE DISTRIBUTION AGREEMENT (CONTINUING DISTRIBUTION TRANSACTIONS) (6) THE LICENSE AGREEMENTS (CONTINUING LICENSE TRANSACTIONS)

We refer to the circular of the Company dated 20 April 2015 (the "**Circular**") to its Shareholders of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires. Under Chapter 14A of the Listing Rules, the transactions contemplated under the Agreements (except in relation to the Transfer pursuant to the Equipment Transfer and Component Supply Agreement) constitute non-exempt continuing connected transactions for the Company and are thus subject to the approval of the Independent Shareholders.

Having considered the advice from Optima, we are of the view that the terms of the Agreements (including the annual caps for the Transactions under the Agreements) are fair and reasonable and in the interest of the Company and the Shareholders as a whole. In addition, the Transactions are on normal commercial terms and the Agreements are entered into by the Company for its ordinary and usual course of business of the Group.

Accordingly, we would advise the Independent Shareholders to vote in favour of the ordinary resolutions to approve, if thought fit, the Agreements and the transactions contemplated under each of them at the EGM.

Yours faithfully,
Independent Board Committee

LIANG Hsien Tse Joseph **ZHOU Luming** **ZHOU Gengshen**

Independent Non-Executive Directors

The following is the letter of advice from Optima to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

Suite 1501, 15th Floor
Jardine House
1 Connaught Road
Central
Hong Kong

20 April 2015

To: *The Independent Board Committee and the Independent Shareholders*

Dear Sirs,

THE CONNECTED EQUIPMENT TRANSFER TRANSACTION; THE CONTINUING COMPONENT TRANSACTIONS; THE CONTINUING SERVICES TRANSACTIONS; THE CONTINUING OEM LEAD TRANSACTIONS; THE CONTINUING DISTRIBUTION TRANSACTIONS; AND THE CONTINUING LICENSE TRANSACTIONS

1. INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the following agreements:

	Agreement(s) entered into among	Terms	Proposed annual caps
(i)	the Company, Lifetech (Shenzhen), and MSO, in relation to (i) the transfer of equipment; and (ii) supply of components by MSO to Lifetech (Shenzhen) for the manufacturing of pacemaker under the Company's brand name (the "**Company Pacemakers**") (the "**Equipment Transfer and Component Supply Agreement**", the transfer of the equipment contemplated thereunder is defined as the "**Connected Equipment Transfer Transaction**", whilst the supply of components contemplated thereunder as the "**Continuing Component Transactions**")	10 years from the Effective Date	for the 3 years ending 31 December 2017 to 2019 (the "**Proposed Component Caps**")

	Agreement(s) entered into among	Terms	Proposed annual caps
(ii)	the Company, Lifetech (Shenzhen), and Medtronic, in relation to the provision of consulting services in respect of the production of pacemaker, product development for the Pacing Leads, commercialization and post commercialization support from Medtronic to Lifetech (Shenzhen) (the "**Services Agreement**", the transactions contemplated thereunder are defined as the "**Continuing Services Transactions**")	10 years from the Effective Date	for the 5 years ending 31 December 2015 to 2019 (the "**Proposed Services Caps**")
(iii)	the Company, Lifetech (Europe), Lifetech (Shenzhen), and MSO, in relation to the manufacturing of the Pacing Leads by MSO in the form of original equipment manufacturer but with regulatory responsibility being with Lifetech (Europe) (OEM) (the "**OEM Lead Agreement**", the transactions contemplated thereunder are defined as the "**Continuing OEM Lead Transactions**")	10 years from the Effective Date	for the 3 years ending 31 December 2017 to 2019 (the "**Proposed OEM Lead Caps**")
(iv)	the Company, Lifetech (Shenzhen), and Medtronic China, in relation to the appointment of Medtronic China as an exclusive distributor to sell the Pacing Products of the Company (the "**Distribution Agreement**", and the transactions contemplated thereunder are defined as the "**Continuing Distribution Transactions**")	10 years from the Effective Date	to be proposed only when the Continuing Licence Transactions commences

	Agreement(s) entered into among	Terms	Proposed annual caps
(v)	the Company, Lifetech (Shenzhen), and MSO, in relation to the grant of non-exclusive, royalty bearing and non-transferrable licenses by MSO to the Company in respect of the technical know-how, softwares, and any intellectual property owned or controlled by MSO, required for the pacemakers and the pacing leads of the Company (the "**Pacing Products**") (the "**License Agreements**", together with the Equipment Transfer and Component Supply Agreement, the Services Agreement, the OEM Lead Agreement and the Distribution Agreement, the "**Agreements**"; the transactions contemplated thereunder are defined as the "**Continuing License Transactions**"; together with the Continuing Component Transactions, the Continuing Services Transactions, Continuing OEM Lead Transactions, and Continuing Distribution Transactions, the "**Transactions**")	50 years	to be proposed only when the Continuing Licence Transactions commences

Details of the Agreements and the Transactions are set out in the letter from the Board (the "**Board Letter**") contained in the circular of the Company to the Shareholders dated 20 April 2015 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined.

The Independent Board Committee, comprising all of the three independent non-executive Directors, namely Mr. Liang Hsien Tse Joseph, Mr. Zhou Luming, Mr. Zhou Gengshen, has been formed to consider the fairness and reasonableness of the terms of the Transactions, and to make a recommendation to the Independent Shareholders in respect thereof. We, Optima Capital Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

Mr. Benny Ng, the author of this Letter, has more than 10 years' finance and investment banking experiences and has been involved in a wide range of takeovers, merger and acquisitions, restructuring, secondary market fund raising, and other corporate finance advisory work for Hong Kong listed companies. He also has experience in asset management and hedge fund industry. He is a CFA charter-holder and a CPA-inactive certificate holder of Washington State Board of Accountancy.

In October 2014, our firm has been engaged as financial advisers as to a proposed acquisition of a company engaged in denture business by Wing Tai Investment Holdings Limited ("**Wing Tai**") (stock code: 00876) which is controlled as to 37.36% by Mr. Wen Jia Long and held as to 26.38% by Mr. Xie (who is also an executive director and substantial shareholder of the Company). Details of the acquisition are set out in the announcements of Wing Tai dated 11 January and 17 March 2015 and the circular dated 17 April 2015. Taking into account that Mr. Xie is not a controlling shareholder or director of Wing Tai, and we were independently approached and engaged by the board of the directors of Wing Tai, we are of the view that the aforesaid engagement would not affect our independence in respect of our opinion on the Transactions. Save for the normal professional fees payable to us in relation to this appointment, no persons stipulated under Rule 13.84(4) of the Listing Rules has any current business relationship with the Company, parties to the Agreements, or a director, subsidiary, holding company or substantial shareholder of the Company or parties to the Agreement, which would be reasonably considered to affect our independence in performing the duties as set out in the Listing Rules, or might reasonably give rise to a perception that our independence would be so affected.

2. BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the executive Directors and management of the Group and have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects at the time they were made and up to the date of the EGM. We have also sought and received confirmation from the executive Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to believe that any material information has been withheld, nor doubt the truth or accuracy of the information provided. We have relied on such information and consider that the information we have received is sufficient for us to form our advice and recommendation as set out in this letter and to justify our reliance on such information. However, we have not conducted any independent investigation into the business and affairs of the Group and Medtronic, nor have we carried out any independent verification of the information supplied. We have assumed that all representations contained or referred to in the Circular are true and complete as at the Latest Practicable Date and will continue to be true up and complete to the date of the EGM.

3. PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Transactions, we have taken into account the following principal factors and reasons:

3.1 Background information of the Group

The Company is a developer, manufacturer and marketer of advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders. With a global reach, the Group has subsidiaries in China, Netherlands, India, Russia and France. Lifetech (Shenzhen) and Lifetech (Europe) are the operating subsidiaries of the Group based in Shenzhen, the PRC, and Netherlands respectively. As a leading medical device company in the PRC with 16 years

of history, the Company has built up a strong worldwide sales network, offering a broad range of products to over 78 countries across Asia, Europe, South America, North America and Africa. The Group's products are distributed mainly through its worldwide network of distributors consisting of nearly 142 distributors.

There are three lines of business in the Group, namely (i) congenital and structural heart diseases business (i.e. sale of occluders), (ii) surgical vascular repair business (i.e. sale of heartvalve products) and (iii) peripheral vascular diseases business, providing clinically effective and commercially attractive product offerings. Up to the Latest Practicable Date, the Group has developed and brought to market 10 products with approval from the **CFDA**, 28 products with CE marking and 3 products that have passed the review of the U.S. Food and Drug Administration. As set out in the annual report (the "**2014 Annual Report**") of the Company for the year ended 31 December 2014, the turnover contributed by the congenital heart diseases business for the year ended 31 December 2014 was approximately RMB137.3 million (in 2013: approximately RMB120.6 million), realized a growth of approximately 13.8%. The growth was mainly attributable to the steady increase in the sales of Cera Occluders in China and CeraFlex Occluders overseas. The turnover contributed by the peripheral vascular diseases business for the year ended 31 December 2014 was approximately RMB145.4 million (in 2013: approximately RMB110.2 million), representing rapid growth of approximately 31.9%. The growth was mainly attributable to more hospitals penetration and increasing market share. Revenue generated from the sales of surgical vascular repair business was only RMB12,000 for the year ended 31 December 2014 (in 2013: approximately RMB220,000). The decrease was mainly due to the effect of the transition period during which Medtronic assisting in with the improvement of quality, technical and process control system in Beijing for the heart valve products product since 2012, causing a suspension of product sales during this period.

China is the Group's largest market due to the enormous demand of medical devices in the PRC. As set out in the 2014 Annual Report, sales generated from the Chinese market accounted for approximately 69.9% of their total revenue for the year ended 31 December 2014 (in 2013: approximately 70.7%). The domestic sales realised a steady growth of approximately 20.9% for the year ended 31 December 2014 as compared to the year 2013, indicating stronger brand and higher market share in China. The international market experienced approximately a 26.0% growth in sales revenue for the year ended 31 December 2014 as compared to the year 2013. During the year ended 31 December 2014, the Group strengthened their sales force and penetrated new hospitals which led to an increase in their market share.

The Group also accomplished the following new achievements: (i) Lifetech (Shenzhen) obtained the final approval of the innovative medical device status from the Center for Medical Device Evaluation of the CFDA for its iron-based bioresorbable drug-eluting coronary scaffold system, which has been approved as an innovative medical device. As at the date of the Annual Report, Lifetech (Shenzhen) is the only company in China which has two products obtaining the status; (ii) the registration certificate of FuStar Steerable Introducer was obtained in China in July 2014; (iii) Lung volume reduction bronchial valve is in the progress of development, and has completed to change the design of Lung bronchial valve from passive volume reduction to the initiative volume reduction warrior circle design; (iv) peripheral Stent System and Iliac bifurcation stent graft system started clinical trial in China; and (v) clinical implantation of LAmbreTM LAA occluder in Europe and China were completed with positive test results.

As stated in the 2014 Annual Report, the Group will continue to rely on its two core businesses, namely congenital heart diseases business and peripheral vascular diseases business, for growth potential in the year 2015. The Group will also actively expand its product offering and strengthen its established market position. On one hand, the Group launched Cera occluders to the China market in 2013 of which its sales in China had an outstanding growth in 2014, and strengthen our role to better serve patients in China. On the other hand, the Group believes that CeraFlex occluders will continually stimulate the growth in sales overseas as a competitive product in the international market. The Group will also keep their focus on broadening the product portfolio as well as designing innovative products to help capitalize on their growing sales network and infrastructure.

Since the strategic alliance has been formed between Medtronic and the Company in 2012, the Company has been upgrading its internal system for the production of heart valve by way of perfecting the quality management system, confirming the installation of the key equipment, adding the test method validation, and improving the technology and training of the working staff with assistance and advice provided by Medtronic. With these efforts, the Company believes that the heart valve product of the Company has been greatly improved and the prospect of the product would be promising. It is expected that the Company will re-launch its heart valve product to the market in 2015.

3.2 **Introduction of pacing system**

The first battery-powered, wearable pacemaker was developed in 1950s for those patients with irregular heartbeat resulting from malfunction in the heart's conduction system. A pacing system consists of three basic components namely, a pacemaker, a lead, and a programmer. A pacemaker is a small implantable metal case which contains electronic circuitry and a battery sending a tiny electrical stimulus to the heart at a specific time so as to adjust the heart rhythm back to normal. There are two types of pacemakers, namely single chamber pacemaker and dual chamber pacemaker to be produced by Lifetech (Shenzhen) with the assistance and guidance given by Medtronic in terms of the set-up of the production line, the supply of components specifically used and the design and patented technology involved in the production of the pacemakers, and distribution network of the pacemakers in the PRC under the Agreements.

A single chamber pacemaker paces either the right atrium or the right ventricle with one lead and it is used when the heart's sinus node does not begin a heartbeat naturally, which is a condition known as sick sinus syndrome. A dual-chamber pacemaker paces both the right atrium and right ventricle of heart and often requires two pacing leads. It is the most common type of pacemaker implanted today to monitor electrical activity in the atrium and the ventricle and see if pacing is needed. Once it is needed, it will time the pacing pulse and mimic the heart's natural way of pumping.

A pacing lead is an insulated wire that carries the tiny pulse to the heart so a heartbeat can begin. There are four parts of the lead including the connector pin, the lead body, the fixation mechanism and the electrode. A pacing lead is extremely flexible in order to withstand the twisting and bending caused by body movement. The third part of the pacing system is a programmer, which is kept in the hospital

or clinic for monitoring and adjusting the settings of a pacemaker. Set out below are the photos of pacemaker, leads and programmer for illustration purpose only:

A Programmer

A pacemaker and two pacing leads

3.3 Industry overview on the PRC pacemaker market

China is one of the world's fastest-growing economies with a strong GDP growth rate over 9% from the previous year according to the latest statistics published by the National Bureau of Statistics of China (the "**Statistics Bureau**"). According to the 12th Five-Year Plan for National Economic and Social Development for 2011 to 2015, the Chinese government set a target for an annual GDP growth of 7%. In view of the over-reliance on its export, the Chinese government started to emphasize consumption and to focus on seven (7) "strategic emerging industries" in particular, health care industry.

According to the Statistics Bureau, China has approximately 9.4% of aging population over 65 years old in 2012, which is expected to double by 2020 according to the Statistics Bureau. According to the latest statistics published by the Statistic Bureau, the total healthcare expenditure in the PRC amounted to approximately RMB2,785 billion (equivalent to approximately HK$3,342 billion) and the healthcare expense per capita amounted to approximately RMB2,060 (equivalent to approximately HK$2,472). The Company believed that this aging population is going to impose pressure on the provision of healthcare resources by the government and create an enormous demand for medical device in the coming years.

According to a pacemaker research report prepared by QY Research ("**QY Report**") (which is a market research company established in 2007 focusing on customized research, industry chain research, data base and etc), the number of patients with atrial fibrillation or heart failure increased 540,000 per year, half of which has the medical need to install a pacemaker. However, there were in average only 20,000 to 30,000 cardiac pacemakers installed each year, amounting to approximately 11.1% of the total patients in need. In 2009, China's total sales of pacemaker products amounted to 48,992, of which only 5,000 pacemakers were domestically made. The imported products had absolute dominance in the pacemaker market. In 2014, there are about 200,000 patients wearing a pacemaker, and 99% of which are wearing foreign-made pacemakers developed in the United States or Germany. Yet, the 200,000 patients only represent the 3% to 5% out of the total patients in need.

The reasons for the low implant rate include (i) inadequate education regarding the purpose and function of pacemaker; (ii) inadequate use in remote rural areas (e.g. the imported pacemakers are mainly used in the economically developed coastal area hospitals, rather than hospitals in rural area); and (iii) most importantly, financial constraints.

The QY Report also mentioned that China's demand for pacemakers is now growing at an annual rate of 15% and it is expected the potential of domestic pacemaker market is huge because of (i) China's accelerated aging population; (ii) greater medical insurance coverage; (iii) lower cost of domestic pacemakers, which is only about 66% of the imported pacemakers; (iv) increased spending power for medical device products; (v) the growing awareness of need for medical device; (vi) there are currently only one domestic company for pacemakers production; and (vi) the national policy supporting the expansion of medical device market.

3.4 **Information on Medtronic**

3.4.1 ***Background information on Medtronic, Medtronic Singapore and Medtronic China***

Medtronic, Inc. ("**Medtronic**") is a subsidiary of Medtronic plc, one of the largest medical technology companies groups in the world. The Medtronic group is composed of several business units which develop and manufacture medical devices, therapies and services-based solutions. Founded in 1949, Medtronic initially developed products that revolved around the cardiac rhythm disease area but now additionally operates in cardiac and vascular, diabetes, neuromodulation, surgical technologies, spinal, minimally invasive therapy and medical supply segments. The Medtronic group has a workforce of around 85,000 employees, 56 research and development centres around the world, more than 53,000 patents for its products, and a global medical device distribution network covering more than 160 countries as at the Latest Practicable Date. According to the QY Report, Medtronic is one of the major players in international pacemaker markets with more than 40% of the market share in terms of production quantity.

Medtronic Singapore (the '**MSO**') is principally engaged in the manufacture of implantable cardiac rhythm devices as well as the sales, marketing and distribution of products of Medtronic.

Medtronic China is principally engaged in sales, marketing, distribution, regulatory, clinical and research and development for products of Medtronic in the PRC.

3.4.2 ***Business operations***

According to the annual report of Medtronic for the fiscal year ended 25 April 2014 as published on the website of the U.S. Securities and Exchange Commission, Medtronic operates under three reportable and operating segments, namely (i) cardiac and vascular products (ii) restorative therapies products, and (iii) diabetes products. For the year ended 25 April 2014, Medtronic's cardiac and vascular products generated approximately USD8.85 billion in sales, which amounted to approximately 52% of Medtronic's total sales, whilst the restorative therapies products generated approximately USD6.50 billion in sales and the diabetes products generated approximately USD1.66 billion in sales. Geographically, 54% of the revenue was generated from the U.S.A. and 46% was generated outside the U.S.A..

Medtronic has a broad portfolio of cardiac and vascular products mainly divided into two categories namely cardiac rhythm disease management and cardio vascular products. Cardiac rhythm disease management products include defibrillation systems (which generated USD2,757 million for the fiscal year of 2014), pacing systems (which generated USD1,892 million for the fiscal year of 2014), and atrial fibrillation and other (which generated USD347 million for the fiscal year of 2014). The Cardio vascular products include coronary products, structural heart products and endovascular and peripheral products, which generated USD1,744 million, USD1,212 million and USD895 million respectively for the fiscal year of 2014.

3.4.3 ***Strength***

As mentioned above, the Medtronic group, as a global leader in medical devices, employing more than 85,000 employees around the world, has obtained more than 53,000 patents for its products and has established an extensive global medical device distribution network covering more than 160 countries in world, and the reach of the sales and distribution network of Medtronic in the PRC pacemaker market is up to 1,100 hospitals. According to a market research report prepared by Millenium Research Group (which is a market research company established over 10 years focusing on medical technology industry research), Medtronic is the leader of the Chinese heart valve products device market and is also the top three players in the Brazilian and Indian heart valve products device market in 2011.

In the U.S.A. and Europe, most of Medtronic's products are sold through direct sales representatives. Outside these geographies, Medtronic sells through a combination of both direct sales representatives and independent distributors. Medtronic utilizes a rapid, cost-effective and consistent marketing and sales strategy to approach a mixed group of customers worldwide, including physicians, hospitals, group purchasing organizations and other medical institutions. Medtronic executes this marketing and sales strategy by organizing and placing various marketing and sales teams around physician specialties. This has resulted in dedicated and knowledgeable sales representatives, with

long and strong relationships with specific physicians and other customers. The implementation of this strategy has also allowed Medtronic to gain detailed understanding of therapeutic and diagnostic developments, healthcare trends and the constant changing needs of physicians and patients, and new opportunities.

4. REASONS FOR OF THE TRANSACTIONS

As disclosed in the announcement dated 14 October 2012, the Company has formed a strategic alliance with Medtronic by entering into a series of agreements therewith in relation to (i) the consulting services provided by Medtronic to the Company in respect of the internal operation and the manufacturing of heart valve products of the Company; (ii) the distribution arrangement of the heart valve products; and (iii) the investment in the Company by Medtronic by way of subscription of convertible bonds issued by the Company.

To expand and strengthen the strategic alliance, the Company or its affiliates entered into the Agreements with Medtronic on 25 July 2014 by which the Company can be equipped with required expertise, technical know-how, equipment and components for the manufacturing of the Company Pacemakers and distribution network with a reach to more than 1,100 hospitals in the PRC for the Pacing Products.

Based on the above financial performance of the Company and our analysis on the strength of Medtronic, we consider that the Company is well positioned to cooperate with Medtronic, in view of its healthy financial position, its experience, expertise and emphasis on R&D of innovative medical devices, and its passion and enthusiasm to establish itself in the international medical device market. On the one hand, Medtronic, being a globally recognised and well-regarded market player in the medical device industry, will bring in technical, operational and management expertise with a view to improving the internal system, business operation, research and development, production and sales operation of the Company. On the other hand, the Company, being an emerging player in the medical devices industry in the PRC, will benefit from the cutting edge industry expertise of Medtronic for product development and brand-building.

In summary, the Agreements serve to expand and strengthen the strategic alliance between the Company and Medtronic in the following ways:

(i) The Equipment Transfer and Component Supply Agreement equips the Company with necessary equipment for setting up the production line and secure supply of the customised components with Medtronic's patented technology for the manufacturing of the Pacemakers;

(ii) The OEM Lead Agreement allows Lifetech (Europe) to appoint MSO as an exclusive original equipment manufacturer ("**OEM**") and supplier for the Pacing Leads such that the Group can have the Pacing Leads under its own brand name and is capable of selling the Pacemakers pairing with necessary number of Pacing Leads (one or two) as a package;

(iii) The Services Agreement offers consulting services and full-fledged support to the Company in its debut production of the Pacemakers in all aspects involving facility build-up, production line set-up, quality assurance and validation, compliance, supply chain and logistics, material and equipment sourcing, product development, product testing, clinical trial, product commercialisation and post commercial of products, by designating a total of four expatriate experts from Medtronic to station in the production facility in Shenzhen and other part-time or short term staff under global assignment of Medtronic;

(iv) The License Agreements allows the Company to be licensed to the intellectual property and technical know-how for manufacturing and commercializing the Pacing Products in the PRC; and

(v) The Distribution Agreement allows the Company to leverage Medtronic China's extensive sales network and expertise to promote, market, distribute and sell the Pacing Products in the PRC.

We believe that the entering into of the Agreements is in line with the long-established goal of the Group to commercialise the Pacing Products under its own name and thus enter into the PRC pacemaker market to seize market share from the local manufacturers.

5. FUNDAMENTAL JUSTIFICATIONS AND POSSIBLE RISKS OF THE TRANSACTIONS

5.1 Fundamental justifications of the Transactions as a whole

In assessing whether the Transactions as a whole are beneficial to the Group and to what extent the Group would benefit from the overall synergy effect arising from the entering into of the Transactions, the parties have adopted the transactional net margin method (the "**TNM Method**") under the pricing guidelines (the "**OECD Pricing Guidlines**") set out by the Organization of Economic Cooperation and Development (the "**OECD**") (which is a recognised organization involving 34 member countries or economies such as the United Kingdom, the United States, Canada, Denmark, Finland, France, Germany, Greece, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Norway, etc to address the economic, social and environmental challenges of globalization) to determine the fairness of pricing of the pricing of the Transactions.

Under the TNM Method, a profit level indicator ("**PLI**") is chosen for comparing the profitability of the subject transactions and given a commonly used PLI for service providers including contract manufacturers is the return on total costs ratio (the "**RTC**") calculated based on the following formula, the RTC was adopted for the assessment of the pricing of the Transactions:

$$\text{Return on total costs ratio (RTC)} = \frac{\text{Operating profit}}{\text{Operating expenses + cost of goods sold}}$$

From the above, the RTC of the Transactions was calculated based on (i) the operating profit to be generated from the sales of the Pacing Product including the Company Pacemakers and the Pacing Leads manufactured by MSO over (ii) operating expenses and all the cost of goods sold incurred from the Transactions including, among others, the costs of the components for the manufacturing of the Company Pacemakers under the Equipment Transfer and Component Supply Agreement, the royalty to be charged by MSO under the License Agreements, the service fees payable by the Company for the provision of consultative services by Medtronic, and other general operating expenses. No expenses other than those incurred from the Transactions are included. On this basis, the RTC of the Transactions is approximately 23.3%.

In assessing whether the Transactions as a whole is favourable to the Company, the RTC of the Transactions was compared with:

(i) the RTC of the major pacemaker manufacturers (namely Medtronic, St. Jude Medical and Boston Scientific) (the "**Pacemakers Giants**") in the international pacemaker market as identified on Bloomberg based on the criteria that (i) its principal activities are manufacturing of Pacing Products; (ii) its financial information is publicly available for our computations of the RTC; (iii) they are listed in the U.S.;

(ii) the RTC of each of the 19 comparable companies (the "**Pricing Comparable Companies**") in the European countries as identified by Deloitte Tax LLP from a database (containing comparable financial and business information on Europe's biggest 510,000 public and private companies by assets and data including standardised annual accounts, financial ratios, sectoral activities and etc for more than 3 million companies in 43 countries) based on the criteria including, among other things, (a) the principal business being manufacture of medical and dental instruments and supplies classified under the category of surgical, medical and dental instruments and supplies of Standard Industrial Classification; (b) date of the incorporation being on or before 2007 (so as to exclude companies which are at the early development stage likely to incur start-up costs or losses); (c) with financial information (i.e. operating income) and for three consecutive years with 2013 and 2012 as years of last available accounts having been published; (d) not having reported operating loss; and (e) not owning significant intangibles to conduct its business; and

(iii) the average RTC of the Company as a whole calculated based on the published financial information for the three years ended 31 December 2013. of approximately 22.0%.

Set out below are the RTC of each of the Pacemakers Giants and the Pricing Comparable Companies:

		Return on Total Costs
I.	**Pacemakers Giants**	
1.	Medtronic	30.1
2.	St. Jude	33.3
3.	Boston Scientific	2.5
	Range:	2.5~33.3
II.	**Pricing Comparable Companies**	
1.	Alsa - Apparecchi Medicali - Societa' A Responsabilita' Limitata	25.0
2.	Ambu A/S	15.7
3.	ATS Applicazione Tecnologie Speciali S.R.L.	2.1
4.	Biotec Italia S.R.L.	2.7
5.	BMI Biomedical International S.R.L.	7.7
6.	Eurocolumbus S.R.L.	3.8
7.	Geass S.R.L.	4.2
8.	Kasios	2.9
9.	Leader Italia S.R.L	4.4
10.	Leader Medica S.R.L	6.1
11.	Mediline Italia S.R.L. Abbreviabile In Mediline S.R.L	1.9
12.	Neoprot, s.r.o.	11.9
13.	Norditalia Elettromedicali S.R.L	8.0
14.	Orvim S.R.L	4.0
15.	Pfeffer Prothese Dentaire	3.1
16.	Plan 1 Health S.R.L	-0.9
17.	Prodent Italia S.R.L	4.1
18.	Smam S.R.L.	-1.0
19.	Villa Sistemi Medicali S.P.A.	8.8
	Mean	6.0
	Median	4.1
	Interquartile range	2.7~8.0
	Range	-1.0~25.0

From the above, we note that the RTC of the Transactions (i.e. 23.3%) (i) falls within the range of the Pacemakers Giants from 2.5% to 33.3% but is lower than the maximum RTC generated by St. Jude; (ii) is significantly higher than the mean (6.0%) of that of the Pricing Comparable Companies as well as the upper end of the interquartile range thereof from approximately 2.7% to 8.0%; and (iii) slightly lower than the upper outlier of 25.0%, which reflects all in all that the RTC of the Transactions is generally higher than the average level of RTC generated by other market players. Further comparing it to the average RTC of the Company of 22.0%, we note that the Transactions generate a higher RTC and thus consider that the Transactions and the whole strategic alliance are favourable to the Company and are therefore in the interests of the Company and the Shareholders as a whole.

In addition to the assessment of the overall synergy effect of the Company resulting from the strategic alliance by the TNM Method under the OECD Pricing Guidelines as set out above, we also set out in the following paragraphs our assessment of the fairness and reasonableness of the major individual term of each of the Transactions with the detailed bases and assumptions for Independent Shareholders' consideration.

5.2 Possible risks relating to the Transactions

The Directors are of the view that the Transactions as well as the strategic alliance established between the Company and Medtronic since 2012 in respect of the production of various implantable medical devices would be a critical stepping stone for the Company to enhance its market position in the PRC medical device market and to enter into a new segment of the industry, being the pacemakers market in the PRC. However, we would like to draw the Independent Shareholders' attention to the possible risks regarding the Transactions, including but not limited to the following:

(i) *Significant reliance on Medtronic*: As the production and sale of the Pacing Products are completely new to the Company and the Company will have to rely on Medtronic's technical know-how, designated expatriate experts, the consultative services under the Services Agreement, transfer of the equipment required for setting up the production line, supply of the highly customized components designed and manufactured by MSO for the manufacturing of the Company Pacemakers under the Equipment Transfer and Components Supply Agreement, and the distribution network reaching more than 1,100 hospitals in the PRC, which may lead to over-reliance on Medtronic. However, we are of the view that this risk would be mitigated given the Board is capable of monitoring the progress, budget, milestones and all operating issues of the Transactions through the joint operating committee ("**JOC**") established by both the Company and Medtronic;

(ii) *Pricing dependence on Medtronic's distribution prices*: As the transfer prices of the Pacing Products will be determined and adjusted based on the actual average selling prices of the Pacing Products to be sold by Medtronic China to the customers in the PRC market, this may affect the flexibility and autonomy of the Company in its pricing strategy. However, the revenues to be generated from the sales of the Pacing Products may not be jeopardized given the selling prices of the Pacing Products by Medtronic China to the PRC customers will be determined by the market forces (in particular, the customer with strong bargaining power such as the hospitals in the PRC which source their Pacing Product through public tender) and it is unlikely that Medtronic China would set an unfavorable selling price which will jeopardize sales volume and its own revenues.

(iii) *Decreasing selling prices of the Pacing Products*: Given there is a general decrease in the selling prices of the Pacing Products of approximately 2% per annum due to the obsolete nature of medical devices, the transfer prices of the Pacing Products to be received by the Company may be affected adversely. However, taking into account that the number of pacemaker implant in the PRC is expected to grow with a CAGR of approximately 16% from 2019 to 2028 based on the research report (the "**ZS Research Report**") prepared by ZS Associates (which is a consulting firm engaged by Medtronic for conducting a market

research and analysis of the PRC pacemaker market based on its interview and survey with 200 cardiologists and 600 patients in the PRC and the internal historical data of Medtronic), we agree with the Director's view that the prospects of the sales of the Pacing Products in the PRC remain positive;

(iv) *Long duration of the Transactions*: The strategic alliance formed between the Company and Medtronic under the Agreements is expected to last for 10 years based on the duration of the Agreements (save for the Licence Agreements) which may affect the flexibility of the Company to seek for other favourable alternatives to the strategic partners or form of alliance in the coming 10 years. However, such duration is justified taking into account that some comparable companies including, among others, also entered into similar agreements of 10-year term or longer; and benefits of having the Agreements of such duration as detailed in the analysis below, including among others, the Transactions being capable of securing the provision of consultative advice and supply of equipment for the set-up of the production line, a stable supply of customized components, and a guaranteed distribution network covering more than 1,100 hospitals in the PRC for the sales of the Company's debut Pacing Products.

6. THE CONNECTED EQUIPMENT TRANSFER TRANSACTION

6.1 Background to and reasons for the Connected Equipment Transfer Transaction

On 25 July 2014, Lifetech (Shenzhen) and MSO entered into the Equipment Transfer and Component Supply Agreement pursuant to which (i) the one-off Connected Equipment Transfer Transaction; and (ii) the Continuing Component Transaction are contemplated. Given the transfer of the equipment is one-off only and the full list of the equipment to be transferred from MSO to Lifetech (Shenzhen) has been confirmed by the parties as at the Latest Practicable Date, the Connected Equipment Transfer Transaction only constitutes a connected transaction instead of a continuing connected transaction under Chapter 14A of the Listing Rules.

Pursuant to the Equipment Transfer and Component Supply Agreement, MSO agreed to transfer to Lifetech (Shenzhen) all the right, title and interest in the equipment necessary for establishing the production line of pacemakers including (i) the existing equipment owned by MSO (the "**In-Use Equipment**"); and (ii) the new equipment to be procured by MSO (the "**MSO Procured Equipment**", together with In-Use Equipment, the "**Equipment**").

It is believed that the Connected Equipment Transfer Transaction will enable the Group to establish its own production line of pacemakers. MSO will also assist Lifetech (Shenzhen) in understanding the necessary specifications and sources of the Equipment and installing the Equipment under the Services Agreement. The Board believes that the Company and the Shareholders would benefit from the synergy effect arising from the expanded strategic alliance anchored on the debut manufacturing of Company Pacemaker. Principal term of the Equipment Transfer and Component Supply Agreement and the relevant analysis are set out below.

6.2 Principal terms of the Connected Equipment Transfer Transaction

6.2.1 *Subject matter*

The equipment to be transferred from MSO to Lifetech (Shenzhen) is mainly for establishing the Group's debut production line of pacemakers which includes, among others, titan test system for verifying the electrical functionality of the Pacemaker device, AATS system for conducting an automated electrical test, ethylene oxide (EO) sterilization system for performing EO gas sterilization and aeration process to the Company Pacemaker, post-sterilisation system, label dispeners, microscope, and other utility structure assay.

6.2.2 *Term*

Notwithstanding that the Connected Equipment Transfer Transaction is contemplated under the Equipment Transfer and Component Supply Agreement (which is of a term of 10 years), the Connected Equipment Transfer Transaction itself is a one-off transaction. It is expected that the Equipment to be transferred from MSO to Lifetech (Shenzhen) will be delivered according to the progress of the set-up of the production line and it is expected that the transfer of all Equipment will complete by the end of June 2015.

6.2.3 *Pricing*

Under the Equipment Transfer and Component Supply Agreement, the In-Use Equipment shall be transferred at the book value at the time of transfer; whilst the MSO Procured Equipment shall be transferred at the cost of procurement paid by MSO. As at the Latest Practicable Date, the parties have confirmed the list of the Equipment and the total transfer prices of the Equipment are approximately USD487,000 (equivalent to approximately HK$3,798,600).

In assessing the fairness and reasonableness of the transfer prices for the Equipment, we have reviewed (i) the list of the Equipment with detailed specifications and quantities to be transferred to Lifetech (Shenzhen) from MSO; and (ii) the invoices or quotations obtained from the independent vendors ascertaining the prices of the Equipment. From our review, we noted that approximately 14 types of equipment are to be transferred from MSO to Lifetech (Shenzhen), and the transfer prices of the Equipment were determined based on the quotation prices shown in the invoices issued by the independent vendors in the market.

In view of the above, we are of the view that the transfer prices of the Equipment are fair and reasonable.

6.2.4 *Payment term*

The payment of the transfer prices shall be made in US Dollars no later than sixty (60) days after the date of invoice or the date of delivery, whichever is later. We are of the view that a 60-day credit period granted by MSO is favourable to the Company.

6.2.5 ***Termination***

Prior to the Equipment Transfer Completion, the Connected Equipment Transfer Transaction may be terminated by the same termination events including, among others, (a) non-payment of any uncontested invoices or other amount due; (b) breach of any of the License Agreements by the Company; and (c) a change of control of the Company (collectively, the "**Termination Events**").

We have discussed with the management of the Company and they are of the view that the termination clause applicable to the Connected Equipment Transfer Transaction is fair and reasonable given it entitles both parties to terminate the whole strategic alliance should there be any material breaches or failure to any of the Agreements that may jeopardize the efficacy and benefits of whole alliance. The termination event of change of control of the Company is also in line with the premises of the strategic alliance that Medtronic will assist and cooperate with Company in respect of production of Company Pacemaker as a strategic partner.

6.2.6 ***Advantages and disadvantages of the Connected Equipment Transfer Transaction***

Having discussed with the management of the Company, they are of the view that one of the major advantages of the Connected Equipment Transfer Transaction is to equip the Company with all equipment necessary for setting up the production line of pacemakers with MSO responsible for procuring the Equipment from the market based on the necessary specifications and needs of the Company and installing all the Equipment in the production factory accordingly. However, the Independent Shareholders should also pay attention to the possibility that the production line may become futile if the Agreements are terminated after completion of the Connected Equipment Transfer Transaction as the Company will lack consultative support advice and assistance from Medtronic under the Service Agreement and will no longer be licensed to the use of Medtronic's intellectual properties and trademark under the Licensing Agreements.

7. CONTINUING COMPONENT TRANSACTIONS

7.1 Background to and reasons for the Continuing Component Transaction

On 25 July 2014, MSO, the Company and Lifetech (Shenzhen) entered into the Equipment Transfer and Component Supply Agreement pursuant to which MSO agrees to source and supply the components in accordance with certain specifications and requirements (the "**Components**") for Lifetech (Shenzhen) on an exclusive basis. In the event that the supply from MSO suspends, MSO will designate other facility sites in Switzerland or Puerto Rico for continuous supply of Components. Prior to MSO's approval, Lifetech (Shenzhen) should not source any of the Components from any third party and the Components shall be solely used for manufacturing of the Company Pacemakers and Lifetech (Shenzhen) shall not in any way offer for sale, sell or export the Components to any third party.

Principal terms of the Equipment Transfer and Component Supply Agreement and the relevant analysis are set out in the Board Letter.

7.2 Principal terms of the Continuing Component Transaction and the relevant analyses

7.2.1 *Term*

The Continuing Component Transaction will be of a term of 10 years unless earlier termination by the parties, and the term will be automatically renewed for one (1) year unless a party provides a notice of non-renewal at least 90 days in advance.

In assessing the duration of the Continuing Component Transaction, we have conducted our research in the market by identifying similar agreements entered into by the Pacing Giants in the public domain. We note from our search that the Pacing Giants (except for Medtronic, which has never entered into similar transactions with the parties other than the Company) have entered into three (3) supply agreements (the "**Comparable Supply Agreements**") relating to the supply of components or accessories for the medical devices in relation to heart rhythm management, and one of these comparable agreements is of a 10—year term, whilst the duration of the other two were not disclosed to the public.

In view of the above, we consider that the 10-year term of the Continuing Component Transaction is a normal business practice and is favourable to the Company and the Shareholders as a whole given (i) the Components, which are to be customised with patented technology of Medtronic, are not commercially available from other vendors in the PRC pacemaker market or other countries in the world; (ii) the manufacturing and commercialization of the Pacing Products are completely new to the Company and thus it is commercially sensible and favourable to the Company to secure a stable and timely supply of the highly customized Components for its debut production; and (iii) pacemaker is very sophisticated medical device which requires clinical trials before and after the commercialization in order to ensure its quality and compatibility with the body of the patients and therefore a long-term and stable supply of the Components can facilitate the fine-tuning of the Pacing Products and the patients' health would not be adversely affected by the suspension or interruption.

7.2.2 *Payment term*

The payment of the transfer price shall be made in US Dollars no later than sixty (60) days after the date of invoice or the date of shipment of components, whichever is later. We are of the view that a 60-day credit period granted by MSO is favourable to the Company as it grants flexibility.

7.2.3 *Termination*

The Continuing Component Transaction may be terminated prior to expiration of its term, due to the occurrence of the Termination Events including but not limited to (a) non-payment of any uncontested invoices or other amount due; (b) a change of control of the Company; and (c) breach of any of the License Agreements by the Company.

We have discussed with the management of the Company and they are of the view that the termination clause set out above are fair and reasonable given it entitles both parties to terminate the whole strategic alliance should there be any material breaches or failure to any of the Agreements that may jeopardize the efficacy and benefits of whole alliance.

7.2.4 ***Pricing***

Component Supply Price on Year One

Pursuant to the Equipment Transfer and Component Supply Agreement, the unit price of the Components to be supplied (the "**Component Supply Price**") on the first fiscal year of MSO (the "**Year One**") is to be determined as follows:

Component Supply Price (Year One)	=	costs of production of the Components + premium to be charged by MSO (the "**Component Premium**")

As advised by the Board, both Medtronic and the Company hold a strong view that the Premium is highly confidential and commercially sensitive to the parties. Should the actual percentage of the Premium be disclosed in this Letter or to the competitors of the Company or Medtronic in the market, the commercial interest of both parties will be severely jeopardized, which may further affect adversely the prospects of sales of the Company Pacemaker, especially when facing the highly cost-conscious customers in the PRC. To this end, the Component Premium has only been disclosed to the IFA for assessment but not disclosed herein.

In assessing whether the Component Premium is fair and reasonable, we have reviewed the Comparable Supply Agreements and note that no premium of the subject component is disclosed in the Comparable Supply Agreements. We therefore instead reviewed the Premium against the internal benchmark, being the gross profit margin of the pacemaker products sold by Medtronic China in the PRC for the latest financial year ended 30 April 2014 (the "**Premium Benchmark**").

We note from the comparison that the Component Premium is lower than the Premium Benchmark which supports our view that MSO does not charge the Company an unreasonably high margin for its Components notwithstanding that the Components it supplied are unique, customized with patented technology and exclusive. Taking into account that the Components are highly customized with promising and reputable quality in the PRC pacemaker market, and are not commercially available in the PRC or other countries, we are of the view that the Component Supply Price determined based on the Component Premium is fair and reasonable.

We concurred with the Directors' view that the Shareholders are given sufficient information to make their voting decision of the Continuing Component Transaction given (i) the fairness and reasonableness of the Component Supply Prices as well as the Component Premium have been confirmed and justified above; and (ii) the Shareholders are assured of the due and proper conduct and compliance of the Continuing Component Transaction during the term by way of the annual review by the independent non-executive Directors and the confirmation by the auditors of the Company.

Subsequent Supply Prices

The Components Supply Prices after first fiscal year (the "**Subsequent Supply Prices**") shall be adjusted by 50% with the percentage increase/decrease in the actual transfer prices of the Pacing Products payable by Medtronic China (the "**Transfer Prices**") to the Company in previous year. For illustration purpose, if the Transfer Prices increase or decrease by 20% in Year One, the Component Supply Price in year two should increase or decrease (as the case may be) by 10%.

In assessing the reasonableness and fairness of this adjustment mechanism, we have discussed with and understood from the management of the Company that the rationale of such adjustment mechanism is to align with the interests of the Company and Medtronic by sharing evenly (thus 50% of) the costs and benefits arising from the sales of the Pacing Products throughout the manufacturing and distribution process. We concur with Directors' rationale and are of the view that it is commercially sensible and reasonable to adjust the supply price by half with the percentage change to the actual selling prices of the products given each of the parties under this mechanism can enjoy and bear the ups and downs of the market evenly and fairly.

7.2.5 ***Other material terms***

The Equipment Transfer and Component Supply Agreement also stipulated that:

(i) *Anticipated purchase:* Lifetech (Shenzhen) shall submit to MSO quarterly rolling 12-month anticipated purchases of the Components. If Lifetech (Shenzhen) wishes to revise the monthly forecast, it shall submit the revised forecast to MSO ninety (90) days in advance. We are of the view that it is fair and reasonable for Lifetech (Shenzhen) to give advance notice to MSO of the anticipated amount of the Components to be purchased in the following 12 months as it would endure MSO's with timely and stable supply of the Components which in turn facilitates Company's production.

(ii) *Surge capacity:* MSO shall on the best effort basis have the capacity to satisfy an increase of at least 25% over the anticipated purchase of the Components to be informed to MSO by quarter on the first year of the term of the Equipment Transfer and Component Supply Agreement and at least 30% from the second year. We are of the view that such term is favourable to the Company as it gives a buffer for the possible surge of the amount of Components required for the manufacturing of the Company Pacemakers in case the sales are unexpectedly good, and provides large flexibility for the replenishment plan of the Components.

(iii) *Minimum purchase quantity on each order:* Lifetech (Shenzhen) shall purchase a minimum of 150 units of each Component. We have discussed with the management of the Company and understood that the minimum quantity of purchase was determined based on the maximum quantity of each batch of final products that can be put into a particular machine for sterilization (the "**Sterilization Lot Size**"). We consider the clause can allow the Company to optimize the inventory planning of the Components by aligning the purchase quantity of the Components with Sterilisation Lot Size (i.e. 150 units) and thus it is in the interest of the Company.

(iv) *Termination of orders:* Lifetech (Shenzhen) may terminate in whole or in part an order or orders by written notice to MSO (i) for safety or regulatory reasons as determined by Lifetech (Shenzhen)'s internal analysis, (ii) if, as a result of a Force Majeure Event, MSO remains unable to deliver the components in a material amount for more than forty-five (45) days, or (iii) if MSO fails to cure a material breach with respect to the order within ninety (90) days after receiving written notice from LifeTech. We are of the view that the clause is capable of safeguarding the interests of the Company and the Shareholders as a whole and ensuring timely and stable supply of the Pacing Products to the patients and clinics.

7.3 **Proposed Component Caps and basis of calculation**

Given some parameters and assumptions for determining the Proposed Component Caps are not guaranteed to remain valid for 10 years, the Board proposed to obtain the Proposed Component Caps for the five (5) years ending 31 December 2019 as follows and the annual caps for the years following 2019 will be set by the Company before previous caps are expired in compliance with Chapter 14A of the Listing Rules:

2015	**2016**	**2017**	**2018**	**2019**
0	0	24.8	64.2	107.3

As the production of the Company Pacemaker is expected to commence only after two to three years of preparation work to be conducted by the parties involving procurement of the Equipment, and the internal system upgrade under the Services Agreement, the Components will only be procured since 2017 and thus the Company intends to obtain the Proposed Components Caps for three years ending 31 December 2019.

In assessing the fairness and reasonableness of the Proposed Component Caps, we have discussed with the management of the Company and understood that Proposed Component Caps were estimated by reference to (i) the Component Supply Price (the assessment of fairness and reasonableness of which are set out in paragraph 7.2.4 above); (ii) the estimated quantity of the Components to be sourced based on (a) the anticipated market size of the Pacing Products in the PRC as extracted from ZS Research Report; and (b) the assumption that the Company would be able to obtain one-third of the market share of the local segment of the PRC pacemaker market based on the existing number of competitors in the local market and the competitive advantage of the Company Pacemaker thanks to Medtronic's guidance and assistance; (iii) the management's estimation of the CAGR of the pacemaker market in the PRC from 2017 to 2023 of approximately 12% based on the estimated CAGR thereof quoted in the ZS Research Report; and (iv) the annual buffer for the possible increase in the demand of the Components (25% on Year One and 30% for the subsequent years).

For our assessment, we have reviewed the ZS Research Report and noted that the estimated size of PRC's pacemaker market in terms of number of pacemakers to be implanted in 2014 is 72,000 and the CAGR thereof from 2010 to 2018, and from 2019 to 2028 is expected to be approximately 10% and approximately 16% respectively. We note that whilst the parties have chosen a conservative estimate of CAGR of the market (12%) for its projection of the amount of Components to be sourced from MSO.

We have also reviewed the assumption that the Company is able to obtain one-third of the market share of the local segment. Given more than 90% of the PRC pacemaker market has long been dominated by overseas pacemaker manufacturers (such as Medtronic, which obtains more than 50% of the market share of the PRC pacemaker market) due to the high quality of the product and their post-sale services to the clinics and patients, and relatively, we are of the view that it is reasonable to assume that Company's Pacemaker, once with Medtronic's assistance in ensuring the quality of the Pacing Products by way of its abundant experience and expertise in the research and development, production and sales and distribution in the PRC medical device market, is able to seize one-third of the market share of the local segment of the PRC pacemaker market. Taking into account that the Component Supply Prices are fair and reasonable and the quantity of Components is estimated with reasonable bases and justified assumptions, we are of the view that the Proposed Component Caps are fair and reasonable.

In view of the above, we consider that the Continuing Component Transaction is (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms, and the terms thereof are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Group and the Independent Shareholders as a whole.

8. THE CONTINUING SERVICES TRANSACTION

8.1 Background to and reasons for the Services Agreement

On 25 July 2014, Medtronic, the Company and Lifetech (Shenzhen) entered into the Services Agreement pursuant to which Medtronic shall offer a wide range of consulting services and full-fledged support (the "**Services**") to the Company for debut production of the Company Pacemaker and sales and product development of Company branded Pacing Leads. Medtronic will designate 4 full-time expatriate personnel to station in the production facility in Shenzhen under global assignment policy of Medtronic and other staff to occasionally visit or station at the factory for a short period of time in Lifetech (Shenzhen)'s office from time to time to provide advice and documentary support from overseas offices. The Services covers advice and assistance to be given relating to, among other things, facility build-up, production line set-up, quality assurance and validation, compliance, supply chain and logistics, material and equipment sourcing, product development, product testing, clinical trial, product commercialisation and post commercial of products.

8.2 **Principal terms of the Services Agreement and the relevant analyses**

Set of below are the principal terms of the Services Agreement and the relevant analyses.

8.2.1 ***10-year term with 1-year automatic renewal***

The term of the Services Agreement is ten (10) years from the Effective Date with one (1) year automatic renewal unless a party provides a notice of non-renewal at least 90 days in advance. In assessing whether the duration of the Services Agreement is a normal business practice, we have considered the following:

(i) we have conducted a search on the website of the Stock Exchange to identify the comparable companies which are listed on the Stock Exchange and engaged in medical equipment and services or biotechnology sector, but we found that those comparable companies we identified have not entered into any services agreement of nature similar to the Services Agreement;

(ii) we have extended our search to the comparable transactions conducted by those companies identified by category of industry on Bloomberg. We have identified 6 companies including the Pacing Giants under the cardiac rhythm management category (the specific category including production of pacemakers), 16 companies under the cardiovascular devices category and 96 companies under the medical devices category (screened out by North America region as Medtronic is based in the U.S.), and noted that among these 118 direct and indirect comparable companies mentioned above, we were not able to identify any comparable transactions for the Services Agreement which supports Board's view that it is uncommon for a major market player of pacemaker industry to assist and consult another market participant (let alone competitors) in establishing the production and commercialization of the pacemakers;

(iii) notwithstanding the above, it is commercially sensible and favourable to have the Services Agreement of such duration given:

(a) the strategic alliance formed between Medtronic and the Company in the pacemaker market is unprecedented and the production sales of pacemakers are completely new to the Company, a stable and continuous support and guidance is integral throughout the project including the development stage; facility build stage; manufacturing stage; pre-commercialisation stage; and commercialization stage. If the term of the Service Agreement is artificially cut into three (3) years, the progress of the project at each stage may be delayed and failed to align with development of the market and need of the patients. For instance, the clinical trial of products scheduled at the pre-commercialization stage will have to be suspended until the Services Agreement is renewed for additional three (3) years, which will contravene the normal business practice for a service agreement of this type to have such duration to facilitate the overall planning and progress of the project and it also puts the project to high incompletion risk and affects the continuous safety monitoring and risk control of the Company's products;

(b) such term of the Services Agreement is imperative and normal as it coheres with the expected time required for developing a Class III medical device product like pacemakers, and ensuring its effectiveness and quality by conducting clinical trials and type testing for debut pacemaker products given pacemaker is a complicated medical device which involves sophisticated technology for determining the appropriate timing and magnitude of the electric stimulus to be transmitted to particular heart chamber of the patients); and

(c) the term also provides sufficient time for the internal system upgrade of the Company until the distribution of the pacemaker products ramps up to a commercially reasonable level, such that the Company Pacemakers can reach the regulatory and industry standard.

In view of the above, we are of the view that it is a normal business practice for the Service Agreement to be of such duration and it is in the interest of the Company and the Shareholders as a whole.

8.2.2 ***Services Fee***

Under the Services Agreement, Medtronic shall charge the Company on a quarterly basis a services fee (the "**Service Fee**") which is in principle calculated based on the actual fully burdened costs incurred by Medtronic for providing the Services but under no circumstances will the Service Fee exceed more than 20% of the budget prepared based on a proposed list of Service to be provided by Medtronic (the "**Services Budget**") as agreed by both parties at the end of each quarter without approval of the JOC. The Directors will ensure that the additional services to be approved by the JOC are necessary to equip the Company for the production of Company Pacemakers and the Service Fee charged in this regard will be no less favourable than the independent third parties offer.

Taking into account that (i) the Service Fee is in substance a reimbursement of the actual costs to be incurred by Medtronic for its provision of the Services (ii) each quarter both parties will come up with the Services Budget; and (iii) the actual Service Fee shall not exceed by more than 20% of the Services Budget unless approved by the JOC, we are of the view that the mechanism to determine the Service Fee is fair and reasonable and it provides the Company with more certainty in the anticipated costs of the Service. Detailed breakdown of the Service Fee and the discussion and analysis of the Proposed Services Caps are set out in paragraph 8.3 below.

8.2.3 ***Payment term***

The Company will pay Medtronic the Services Fee within 60 days after the Company's receipt of the respective invoice from Medtronic at the end of each quarter starting from the Effective Date. We are of the view that this term is favourable to the Company given such 60-day credit period granted by Medtronic will provide the Company with more flexibility in its cash management.

8.2.4 ***Other material terms***

The Services Agreement also stipulated that:

(i) *Services interruption or suspension:* the Services shall not be interrupted or suspended for more than five (5) Business Days without any mutual agreement of the parties. In the absence of such agreement, the Services shall continue unless the Services Agreement is terminated under the termination clauses in the Services Agreement**.** In the event that the Services interruption or suspension is not resolved by JOC or committee composed of senior management of the parties, the Company is entitled to resort to the arbitration.

We are of the view that this term is favourable to the Company as it protects the Company from any unreasonable suspension of the provision of the Services which may affect the commercialization of the Company Pacemaker and affect the patients in need.

(ii) *Third party services and incremental hires:* Notwithstanding that the Services to be provided by Medtronic regarding the production of pacemakers during the term involves the access to intellectual property licensed by Medtronic which is highly commercial sensitive, the Company is entitled to retain certain services from independent third party (the "**Independent Services Provider**") and make certain incremental hires to assist in the debut production of Company Pacemaker under the Services Agreement, provided that Medtronic has given a prior written consent to it, and the independent services provider is subject to same confidential obligations and terms and conditions relating to the license granted by Medtronic to Lifetech (Shenzhen). The parties also agreed to further protect the commercial sensitive manufacturing information and licensed intellectual property of Medtronic to the extent that Medtronic has the pre-emptive right to provide certain services in addition to the original scope of the Services over other independent service providers. Lifetech (Shenzhen) will pay to Medtronic an additional service fee based on the actual cost incurred. In addition, the actual expense and expense forecast of all service fees will be reviewed and approved by the JOC quarterly, which will also be, the Company quarterly or in a shorter period of time by the Company's Finance and Pacemaker Project Department. Together with the annual review of the Continuing Service Transactions by the independent non-executive Directors and auditors of the Company, we are of the view that sufficient procedures are in place to ensure the Continuing Service Transactions are to be conducted according to the Service Agreement and the relevant requirements under the Listing Rules.

We are of the view that such arrangement provides flexibility for the Company as it allows the Company to retain relevant services through other independent third parties when the relevant Services cannot be obtained from Medtronic. It is also in the interest of the Company and the Shareholders as a whole to provide a pre-emptive right to Medtronic for provision of relevant services required for the production of Pacemakers taking into account that Medtronic is familiar with and adept at the production process as compared to other Independent Services Provider.

(iii) *Termination:* The Services Agreement may be terminated prior to expiration of its term by, among other things, material breach of obligations of the Services Agreement, breach of confidentiality obligation, breach of the License Agreements, mutual consent, non-payment of the Services Fee, bankruptcy of either party, change of control of the Company, force majeure, and etc.

We are of the view that the termination events of the Services Agreement are usual ones save for the event triggered from change of control of the Company. The Services Agreement stipulated that in case there is an unacceptable change of control of the Company, Medtronic may have the discretion to terminate the Services Agreement and any of the Agreements upon not less than 30-day advance written notice. We are of the view that this term is justified given the whole strategic alliance formed between Medtronic and the Company through entering into of the Agreements was premised on the mutual understanding that no other third parties will interfere with the alliance or benefit from the synergy effect of the alliance in the midst of the cooperation between Medtronic and the Company.

8.3 **Proposed Services Caps and basis of calculation**

Given some parameters and assumptions for determining the Proposed Services Caps are not guaranteed to remain valid for 10 years, the Board proposed to obtain the Proposed Services Caps for the five (5) years ending 31 December 2019 as follows and the annual caps for the years following 2019 will be set by the Company in compliance with Chapter 14A of the Listing Rules before previous caps are expired. Set out below are the Proposed Services Caps for the five (5) years ending 31 December 2019 (in RMB million):

2015	**2016**	**2017**	**2018**	**2019**
121.7	90.6	83.2	47.7	31.8

Having discussed with the Company, we understand that the Proposed Services Caps set out above were estimated based on the estimation of costs and expenses to be incurred mainly from (i) the assignment of four (4) full-time staff involving a senior quality manager, a senior manufacturing manager, a quality engineer, and a technician (the "**Assigned Experts**") from the U.S. or Singapore to station in the production facilities of the Company located in Shenzhen for five years given all the major upgrade of the system is to be done in first few years before the commercialization of the Company Pacemakers; (ii) the required engineer hours or working hours of the existing staff of Medtronic for supporting the provision of the Services in respect of (a) the production facility; (b) information technology ("IT") support to ensure the IT roadmap, infrastructure and applications are sustainable for pacemaker manufacturing operations; (c) qualifying the manufacturing process steps in particular the sterilization process, and quality assurance documentation and support during the installation of production line, qualification and validation; and (d) product development; (iii) the market researches conducted by ZS Associates; (iv) sales support from operations team of Medtronic; (v) clinical study of the products for ascertaining safety and efficacy thereof; (vi) launch activities including conference, physician meetings, training seminars, and other advertising events for the debut sales of pacemaker of the Company; and (vii) sustainable support to ensure continuous improvements in quality systems, supply chain management, regulatory audit support and etc, with a buffer of 20% embedded in the Proposed Services Caps.

In view of the bases for determining the Proposed Services Caps set out above, we have conducted the following in assessing the fairness and reasonableness thereof:

(i) we have discussed with the parties to get acquainted to the commercial rationale of the whole strategic alliance relating to the debut production of pacemaker of the Group, from which we note that the strategic alliance allows the Group to develop a new revenue stream from a new product (i.e. pacemaker) in the PRC and the Services Agreement is a cornerstone of the whole alliance given the full-fledged Services are integral throughout all stages of the project;

(ii) we have reviewed the breakdown of the estimated costs and expenses to be incurred together with a detailed memorandum prepared by Medtronic in this regard, and discussed with the Company and Medtronic the bases and assumptions of each cost item; and

(iii) we have obtained and reviewed the relevant supporting documents to assess whether the cost estimation were prepared on a reasonable basis; for example, we have reviewed (a) the employment letter or letter of assignment of each of the Assigned Experts for ascertaining the assignment period and the estimated remuneration with relevant allowances and fringe benefits to be given to each Assigned Expert based on the global assignment policy of Medtronic; (b) the global assignment policy of Medtronic in respect of fringe benefits to be provided to the Assigned Expert; (c) the engagement letter of ZS Associates for the ZS Research Report on the PRC pacemaker market; and (d) Company's historical expense of market promotions including records for participating in medical conference and exhibitions.

In view of the above, we are of the view that the Proposed Services Caps were determined on a reasonableness bases and are fair and reasonable.

9. THE CONTINUING OEM LEAD TRANSACTION

9.1 Background to the OEM Lead Agreement

Pacing leads, as one of the key components of a pacing system, are sold to the patients in conjunction with pacemakers. A Single chamber pacemaker has to be used with one pacing lead, whilst the double chamber pacemaker with two. Due to this pairing principle, Lifetech (Shenzhen), which will mainly focus on manufacturing of pacemakers only, intended to engage MSO as the exclusive manufacturer of the Pacing Leads under the OEM Lead Agreement pursuant to which MSO will manufacture for and supply to the Group the Pacing Leads up to industry standard and Lifetech (Europe) will be responsible for, among other things, registering the Pacing Leads in Europe and the PRC under the Company's names. Details of the OEM Lead Agreement are set out in the Board Letter.

9.2 Principal terms of the OEM Lead Agreement and the relevant analyses

9.2.1 *Term*

The term of the OEM Lead Agreement is 10 years from the Effective Date unless earlier termination by the parties. It will be automatically renewed for one (1) year unless a party provides a notice of non-renewal at least 90 days in advance. In assessing whether it is a normal business practice to have the OEM Lead Agreement of a 10-year term, we have discussed with the management of the Company and understood that the commercial rationale for having the OEM Lead Agreement of 10-year term is same as that for the Continuing Component Transaction. We have also searched for the comparable contract manufacturing agreements entered into by the Pacing Giants in the public domain and found that one of them, namely Boston Scientific, has entered into an agreement with Medinol for developing and manufacturing cardiac medical devices for a term of 10 years. In view of this, we consider that it is a normal business practice to have OEM Lead Agreement to be of a 10-year term.

We also consider that the 10-year term is favourable to the Company and the Shareholders given (i) it is commercially sensible and favourable to secure a stable and timely supply of the Pacing Leads to pair with the Company's debut commercialisation of Pacing Products in the PRC; (ii) it is impossible to source the Pacing Leads up to the industry and regulatory standard in the PRC from other sources as other Pacing Giants and market players are unlikely to conduct OEM for its competitors; (iii) Pacing Products are sophisticated type of medical device under the classification system promulgated by the CFDA, which normally takes years to develop (depends on the manufacturer's capability in research and development) and three (3) to four (4) years to conduct clinical trials before commercialization and therefore a long-term OEM Lead Agreement can secure steady and timely supply of the Pacing Products to the patients in need.

In view of the above, we are of the view that it is a normal business practice for the OEM Lead Agreement to be of such duration and it is in the interest of the Company and the Shareholders as a whole.

9.2.2 *Pricing*

Lifetech (Shenzhen) will pay MSO a supply price for the Pacing Leads as specified in the OEM Lead Agreement (the "**OEM Lead Prices**") and the parties may negotiate the OEM Lead Prices in good faith in case of, among other things, any changes in applicable laws and market conditions. As advised by the management of the Company, the OEM Lead Price is to be determined based on the following:

$$\text{OEM Lead Price} = \text{cost of production of the Pacing Leads + premium of the Pacing Leads (the "Lead Premium")}$$

As advised by the Board, both Medtronic and the Company hold a strong view that the Lead Premium is highly confidential and commercially sensitive. Should the actual percentage of the Lead Premium be disclosed herein or to the competitors of the Company or Medtronic, the commercial interests of the Company and Medtronic will be jeopardized. The prospects of the sales of the Pacing Products will also be hampered. Accordingly, the actual percentage of the Lead Premium was only disclosed to the IFA for assessment but not herein.

In assessing whether the Lead Premium is fair and reasonable, we have tried to identify similar OEM transactions of pacemakers in the public domain but we failed to identify any for our comparison given it is uncommon for the market players of pacemaker to manufacture the customized Pacing Leads for other market participants, let alone their competitors. We therefore instead relied on the internal premium benchmark, being the gross profit margin generated from the sales of Pacing Products by Medtronic China in the latest financial year ended 30 April 2014 (i.e. the Premium Benchmark) for our assessment.

Upon our review, we note that the Lead Premium is lower than the Premium Benchmark, which means that the Lead Premium to be charged by MSO is not unreasonably high notwithstanding the Pacing Leads are very unique and its supply is exclusive.

Taking into account that the Lead Premium to be charged by MSO is commercially sensible, the quality of the Pacing Leads manufactured by MSO is promising and reputable in the market and the fact that the Pacing Leads are not commercially available for the Company due to the keen competition in the pacemaker market, we are of the view that the OEM Lead Price is fair and reasonable.

Notwithstanding that the actual percentage of the Lead Premium is not known to the Independent Shareholders, we concurred with the Directors' view that the the Independent Shareholders are given sufficient information to make their voting decision of the Continuing OEM Lead Transaction given (i) the fairness and reasonableness of the OEM Lead Prices have been confirmed; (ii) the Lead Premium is lower than the Premium Benchmark and thus is commercially justified; and (iii) the Shareholders are assured of the due and proper conduct and compliance of the Continuing OEM Lead Transaction by way of the annual review by the independent non-executive Directors and the confirmation by the auditors of the Company during the term of the OEM Lead Agreement.

9.2.3 ***Payment term***

Lifetech (Shenzhen) shall pay all MSO's invoices no later than sixty (60) days from the date of delivery of the Pacing Leads or the date of invoice, whichever is later. We are of the view that a 60-day credit period granted by MSO is favourable to the Company and it grants flexibility for the Group's cash management.

9.3 **Other material terms**

The OEM Lead Agreement also stipulated that:

(i) *Product Forecasting Process:* Lifetech (Shenzhen) shall submit to MSO quarterly rolling 12- month forecasts covering its anticipated purchases of the Pacing Leads. In case Lifetech (Shenzhen) wishes to revise the monthly forecast, it shall submit the revised forecast to MSO ninety (90) days in advance. We have discussed with the management of the Company and they are of the view that such term is favourable to both parties as it provides both parties with certainty of the purchase quantities of the Pacing Leads and facilitates a better control of its inventory and production planning.

(ii) *Surge capacity:* MSO shall have the capacity to satisfy at least 25% increase over the forecasted quantities of the Pacing Leads to be purchased by Lifetech (Shenzhen) for the first year of the term of the OEM Lead Agreement and 30% for the subsequent years. We have discussed with the management of the Company and they consider that such term is favourable to the Company as it gives a buffer for the possible surge in the demand of the Pacing Leads required for pairing with the sales of the Company Pacemakers in case the sales are unexpectedly good.

(iii) *Delays:* If delivery of the Pacing Leads is delayed through no fault of Lifetech (Shenzhen) or the Company and not involved a force majeure event, MSO shall provide a 5% discount on the quantity delayed for more than 10 Business Days or 10% discount for more than delay of more than 30 Business days. We have discussed with the management of the Company and they are of the view that such term is favourable to the Company as it would mitigate the risks of delayed delivery of Pacing Leads, which may interrupt the stable supply to the patients and clinics. We have also reviewed the supply agreements of components for other medical products of the Group and note that a delay discount of 5% is standard practice.

(iv) *Termination of the OEM Lead Agreement:* The OEM Lead Agreement may be terminated prior to expiration of its term due to, among other things, material breach of the obligations in the OEM Lead Agreement, in particular the confidentiality clause in the OEM Lead Agreement, breach of the terms of the License Agreements, non-payment of any uncontested invoices, and change of control of the Company (save for that resulting from Medtronic acquiring majority interest in the Company). We have discussed with the management of the Company and they are of the view that the termination events are not uncommon and the one relating to change of control of the Company is in line with the premises of the strategic alliance that Medtronic cooperates with and provides assistance and support to the Company for its debut sales and production of the Pacing Products as a strategic partner with 19% interest in the Company.

In view of the above, we are of the view that the principal terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

9.4 **Proposed OEM Lead Caps and basis of calculation**

Given the changes in some parameters and assumptions for determining the Proposed OEM Lead Caps are not guaranteed to remain valid throughout the term of the OEM Lead Agreement, the Board proposes to obtain the annual caps for the five years ending 31 December 2019 as follows and the annual caps for the subsequent years will be set by the Company in compliance with Chapter 14A of the Listing Rules before the Proposed OEM Lead Caps are expired:

2015	**2016**	**2017**	**2018**	**2019**
0	0	11.6	30.2	51.0

Having discussed with the management of the Company, we noted that the Proposed OEM Lead Caps were determined by reference to (i) the OEM Lead Prices; (ii) the estimated quantity of the Pacing Leads to be manufactured by MSO; (iii) the management's conservative estimation of the CAGR of the pacemaker market in the PRC from 2017 to 2023 of approximately 12%; and (iv) the annual buffer for the possible increase in the demand of the Components (25% on Year One and 30% for the subsequent years).

Given (i) the Lead Supply Price is fair and reasonable (the assessment of which is set out in paragraph 9.2.2 above); (ii) the estimated quantity of the Pacing Leads was determined with reasonable bases including (a) the anticipated market size of the Pacing Products (which in turn determines the sales quantities of the Pacing Leads due to the pairing principle of one Pacing Lead for a single chamber pacemaker and two for the double chamber one) in the PRC as extracted from ZS Research Report; and (b) the assumption that the Company would be able to obtain one-third of the market share of the local segment of the PRC pacemaker market based on the existing number of competitors in the local market and the competitive advantage of the Company Pacemaker thanks to Medtronic's guidance and assistance; (iii) the surge capacity of 25% for year one and 30% for year two was agreed by both parties and was stipulated under the OEM Lead Agreement, we are of the view that the Proposed OEM Lead Caps are fair and reasonable.

In view of the above, we are of the view that the Continuing OEM Lead Transaction will be conducted in the Group's ordinary and usual course of business and the principal terms thereof are fair and reasonable.

10. THE CONTINUING DISTRIBUTION TRANSACTION

10.1 Background of entering into the Distribution Agreement

Pursuant to the Distribution Agreement, Medtronic China will be appointed by Lifetech (Shenzhen) and the Company as an exclusive distributor of the Pacing Products in the PRC for 10 years with an exclusive right to advertise, promote, market, distribute, sell and provide technical case support for the Pacing Products of the Company in the PRC. Actual distribution of the Pacing Products will not commence until the applicable proper regulatory approval has been obtained by Lifetech (Shenzhen), and Medtronic China has consented to the commercial release of the Pacing Products. As advised by the Company, the reasons for engaging Medtronic China as its exclusive distributor is that it has a distribution network reaching over 1,100 hospitals in the PRC, showing a strong presence and position in the PRC pacemakers market as compared to other small-scale distributors engaged by the Company for other medical products.

10.2 Principal terms of the Distribution Agreement and the relevant analyses

10.2.1 *Term*

The Distribution Agreement shall be effective for ten (10) years commencing on the Effective Date. Thereafter, the Distribution Agreement shall, be automatically renewed for additional periods of not more than one (1) year each unless terminated pursuant to the terms of the Distribution Agreement or upon a 90-day advance notice of non-renewal is served by either party.

In assessing the duration of the Distribution Agreement, we have searched in the public domain including the websites of different stock exchanges and respective company's websites for the comparable distribution agreements entered into by the Pacing Giants or other 16 comparable companies listed in different stock exchanges as identified under the category of cardiovascular devices on Bloomberg (the "**Distribution Comparables**"), and found that there are a total of 33 distribution agreements entered into by the Distribution Comparables with a term ranging from 3 to 15 years. As the duration of the Distribution Agreement falls within the aforesaid range, we are of the view that it is a normal business practice for the Distribution Agreement to be of a term of 10 years.

10.2.2 ***Pricing***

Lifetech (Shenzhen) shall sell to Medtronic China the Company Pacemakers and the Pacing Leads at the transfer prices of the respective product (collectively, the "**Transfer Prices**") to be set by the parties in good faith between the effective date of the Distribution Agreement and the Start Date. Having discussed with the management of the Company, we understood that the Transfer Prices on Year One are to be determined as follow:

Transfer Prices on Year One = P1 x (1-15%) x (1-M)

P1 = the average selling prices of Medtronic's Pacing Products in the PRC market

M = the margin to be charged by Medtronic China for its distribution of the Pacing Products (the "**Distribution Margin**")

We are of the view that the mechanism to determine the Transfer Prices on Year One is fair and reasonable given (i) the average selling price of the Pacing Products of Medtronic is a fair benchmark for determining the Transfer Prices as it shows the market acceptance and demand for the Pacing Products of similar qualities; (ii) a discount of 15% to the Pacing Products under the Company's brand names is commercially justified taking into account higher reputation and market acceptance of Medtronic's Pacing Products in the PRC pacemaker market; (iii) the Distribution Margin (which has been disclosed to us but not herein due to the commercial sensitivity thereof and the possible risks of jeopardizing the commercial interests and prospects of both parties) is lower than the margin having been charged by other independent distributors of the Company for the distribution of other medical products of the Company such as the occluder and heartvalve products; and (iv) the distribution and sales network of Medtronic China can reach more than 1,100 hospitals in the PRC pacemaker market.

In view of the above, we are of the view that the mechanism to determine the Transfer Prices on Year One is fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

10.2.3 ***Adjustment to the Transfer Prices for the subsequent years***

Pursuant to the Distribution Agreement, the Transfer Prices for each of the subsequent years after Year One (the "**Subsequent Transfer Price**") will be adjusted as follows:

Subsequent Transfer Price = P2 x (1-M)

P2 = the actual average selling prices of the Pacing Products sold though Medtronic China's network in the PRC in previous year

M = Distribution Margin

We are of the view that the above adjustment mechanism is fair and reasonable given (i) the average actual selling price of the Company's Pacing Products is a good measure of the selling performance of the Company's Pacing Products distributed through Medtronic China's network; and (ii) the Distribution Margin, as mentioned above, is lower than the margin having been charged by other independent distributors of the Company for the distribution of other medical products of the Company such as the occluder and heartvalve.

10.2.4 ***Annual sales target and minimum purchase quantities***

At the end of each fiscal year of Medtronic, Lifetech (Shenzhen) and Medtronic China will negotiate in good faith to determine the reasonable annual sales target of the Pacing Products that Medtronic China will distribute for the next year, and the JOC will also establish a minimum purchase quantity for the Pacing Product for next fiscal year. In the event that Medtronic China failed to purchase the minimum quantities of the Pacing Products or remedy such situation in 60 days, Medtronic China shall cease to be the exclusive distributor for the Pacing Products and Lifetech (Shenzhen) is entitled to authorize other distributors or sales agents to substitute Medtronic China.

We are of the view that the annual sales target to be negotiated between the Company and Medtronic China is favourable to the Company in the sense that (i) it allows more flexibility and room to articulate its production plan for the coming year in terms of production capacity, labour force arrangement, and capital deployment; and (ii) it gives a preliminary portray of the annual sales to be contributed by the sales of the Pacing Products and thus more adaptive to the overall business development plan of the Group as a whole.

10.2.5 ***Payment term***

Under the Distribution Agreement, Medtronic China's payment for the Pacing Products shall be made 60 days after the date of invoice or the date of delivery, whichever is later. We are of the view that a credit period of 60 days granted by Lifetech (Shenzhen) is reasonable to the Company.

10.2.6 ***Other material terms regarding termination***

The Distribution Agreement may be terminated in whole or in part by, among others, non-payment of any uncontested invoices or other amounts due under the Distribution Agreement, breach of any of the License Agreements, upon a change of control of the Company, and a material breach of its obligations under the Distribution Agreement.

We are of the view that the termination events of the Distribution Agreement are usual ones save for the termination triggered from the change of control of the Company. The Distribution Agreement stipulated that in case there is an unacceptable change of control at the Company, Medtronic China may have the discretion to terminate the Distribution Agreement and any of the Agreements upon not less than 30-day advance written notice. We are of the view that this term is justified given the whole strategic alliance formed between Medtronic and the Company through entering into of the Agreements was premised on the mutual understanding that no other third parties will interfere with the alliance or benefit from the synergy effect of the alliance in the midst of the cooperation between Medtronic and the Company.

10.3 **The annual caps for the Continuing Distribution Transactions**

Based on the preliminary timeline of the Transactions, it is expected that the distribution of the Pacing Products will only commence in 2019 and thus the Company intends to set the annual caps for the three years ending 31 December 2019, 2020 and 2021 only before the sales and commercialization of the Pacing Products are about to commence. The Company will comply with the then requirements under the Listing Rules for the Continuing Distribution Transactions at that time.

11. THE CONTINUING LICENSE TRANSACTION

11.1 **Background to and reasons for the License Agreements**

On 25 July 2014, MSO, the Company and Lifetech (Shenzhen) entered into the License Agreements pursuant to which MSO will grant to the Company a non-exclusive, royalty-bearing, non-transferable license to the relevant intellectual properties in the PRC together with any licensed trademarks for the design, assembly and sale of pacemakers and for lead which are used with Pacemaker Products. Lifetech (Shenzhen) will pay MSO 12.5% of the Company's net sales of the implantable cardiac rhythm therapy device (the "**Royalty Rate**").

11.2 **Principal terms of the License Agreements and the relevant analyses**

The principal terms of the License Agreements (as supplemented on 17 April 2015) and the relevant analyses are set out below.

11.2.1 ***Term***

The term of the License Agreements (as supplemented on 17 April 2015) commences from the Effective Date with and shall continue in effect for 50 years unless earlier termination by the parties.

In assessing the fairness and reasonableness of the term of the License Agreements, we have attempted to identify similar licensing arrangements entered into by the Pacing Giants with royalty fees disclosed in the public domain but we failed to identify any. To this end, we have instead relied on the research report (the "**Royalty Research Report**") prepared by IPRA, Inc, (which is an independent consulting and publishing organization dedicated to discovering new information and innovative methods regarding the value and pricing of intellectual property including technological know-how, patents, trademarks, copyrights, trade secrets and other intellectual properties and

intangible assets) which has identified 100 licensing transactions (the "**Comparable Licensing Transactions**") relating to technology including but not limited to medical technology since September 1990 through 2012. As the Comparable Licensing Transactions were identified by IPRA since September 1990 for more than 20 years, it is considered to represent a comprehensive collection of technology pricing information.

We note from the Royalty Research Report that among 100 Comparable Licensing Transactions, only 33 Comparable Licensing Transactions have its duration disclosed and included in the Royalty Research Report, and the duration of them ranges from 1 year to perpetual. If excluding those Comparable Licensing Transactions with perpetual term, the longest duration of the Comparable Licensing Transactions would be 30 years. We note that the 50-year term of the License Agreements would be longer than the longest duration of the Comparable Licensing Transactions if the perpetual term is to be neglected. However, we still consider that it is a normal business practice for the License Agreements to be of a term of 50 years, given it falls within the normal range of duration if all Comparable Licensing Transactions with duration disclosed in the Royalty Research Report are taken into account. It is also commercially sensible for the Company to obtain the licensed trademarks for the design, assembly and sale of the Pacing Products from Medtronic as long as possible so as to secure the core technical know-how for the Company Pacemakers in a long run.

11.2.2 ***Royalty***

In assessing the fairness and reasonableness of the Royalty Rate (i.e. 12.5% of the Company's net sales of the implantable cardiac rhythm therapy device of the Company), we have reviewed the Comparable Licensing Transactions and specifically the 73 licensing transactions relating to granting of intellectual property in the medical industry and with a royalty rate determined by reference to sales rather than other financial parameters (the "**Comparable Royalty Transactions**"). We note from our review that the royalty rates of the Comparable Royalty Transactions range from approximately 0.5% to approximately 20% of sales.

Taking into account that the Royalty Rate falls within the range of the Comparable Royalty Transactions, we are of the view that the Royalty is fair and reasonable and we consider that the terms of the License Agreements are (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Group and the Independent Shareholders as a whole.

11.2.3 ***Payment term***

The Company will pay MSO the royalties incurred in each reporting period of the Company within 60 days after the Company's financial report for the respective reporting period becomes publicly available. We are of the view that such 60-day credit period is favourable to the Company.

11.2.4 ***Termination***

The License Agreements may be terminated prior to expiration of its term, including but not limited to the non-payment of any uncontested royalties due, upon a change of control of the Company, material breach of its obligations under the Licence Agreements, or any of the other Agreements is terminated for reasons that are not attributable to Medtronic.

We are of the view that the termination events of the License Agreements are usual ones save for the one triggered from the change of control of the Company. We are of the view that this term is justified given the whole strategic alliance formed between Medtronic and the Company through entering into of the Agreements was premised on the mutual understanding that no other third parties will interfere with the alliance or benefit from the synergy effect of the alliance in the midst of the cooperation between Medtronic and the Company.

11.3 **The annual caps for the Continuing License Transaction**

Under the Licence Agreements, the Company shall pay the royalty only after commencement of the sales of the Pacing Products, which is expected to be 2019. Accordingly, the Company intends to set the annual caps for the three years ending 31 December 2019, 2020 and 2021 only before the sales and commercialization of the Pacing Products are about to commence, and the Company will comply with the then requirements under the Listing Rules for the Continuing Licence Transaction at that time.

12. CONDUCT OF THE TRANSACTIONS

12.1 **The Transactions are to be conducted in accordance with the following requirements, among other things:**

(i) the transaction values of the respective Transactions will not exceed the respective proposed Annual Caps based on the following internal control procedures;

(a) *Equipment Transfer and Component Supply Agreement:*

Responsible Department/Personnel:

The Company's Supply Chain Management Department (Department Head) and Audit Department (Legal and Compliance Department Head)

Procedures:

The Company's Supply Chain Management Department will check that the prices on purchase orders for the procurement of components match with the prices stipulated in the Equipment Transfer and Component Supply Agreement before each of the purchase orders is signed off by the Department Head placed by the Company. In addition, upon receiving the invoices issued to the Company for its purchase of components, the Company's Finance Function Department will check that the prices thereon match with the prices on the purchase orders and those as stipulated in the Equipment Transfer and Component Supply Agreement before such invoices are signed off by the Department Head indicating approval thereof and before payment is made by the Company. The Company's Audit Department and third party auditor to be appointed by the Company will conduct periodic audit review of the purchase orders and the invoices in order to verify and confirm that the procedure is in place and being followed according to the ISO 13485 Requirement.

The ISO 13485 Requirement is a set of procedures and requirements established by the International Organization for Standardization to ensure that purchased medical device products conform to specified purchase requirements. The Board believes that basing the Company's internal control measures for the Transactions on such internationally-recognized standard can ensure that the Transactions are conducted in the interests of the Company and its Shareholders as a whole.

(b) *Services Agreement:*

Responsible Department/Personnel:

The Company's Finance and Pacemaker Project Department (respective department head) and respective representatives who are sent to JOC

Procedures:

The actual expense and expense forecast of all service fees will be reviewed and approved by the JOC quarterly. Prior to the end of, but no later than thirty days before the end of each quarter, Medtronic shall submit to the JOC a written proposed list of services to be provided by Medtronic to the Company in the next quarter (the "Service Proposal") and the estimated cost for such services. Medtronic shall only commence the proposed services after the JOC (comprising both the members appointed by the Company and Medtronic) has reviewed and approved the content of the Service Proposal. In no event will the service fees exceed the agreed Service Proposal by more than 20% without prior written approval of the JOC.

Within the Company, this type of review will be done quarterly or shorter by the Company's Finance and Pacemaker Project Department. Where appropriate, the Company will also conduct comparison of service fees with the available quotes obtained from other independent third parties with comparable competence, operational scale and industry expertise as Medtronic by the Pacemaker Project Department. In the event that the Company has good reason to believe there is a discrepancy in the services fees charged by Medtronic in comparison to a comparable independent third party as described above, the Company may escalate the matter under the dispute resolution provisions of the Services Agreement. Together with the annual review of the Continuing Service Transactions by the independent non-executive Directors and auditors of the Company, the Directors are of the view that sufficient procedures are in place to ensure the Continuing Service Transactions are to be conducted according to the Service Agreement and the relevant requirements under the Listing Rules.

(c) *OEM Lead Agreement:*

Responsible Department/Personnel:

The Company's Supply Chain Management Department (Department Head) and Audit Department (Legal and Compliance Department Head)

Procedures:

The Company's Supply Chain Management Department will check that the prices on purchase orders for the procurement of Lead Products match with the prices stipulated in the OEM Lead Agreement before each of the purchase orders is signed off by the Department Head placed by the Company. In addition, upon receiving the invoices issued to the Company for its purchase of Lead Products and prior to the payment made by the Company, the Company's Finance Function Department will check that the prices thereon match with the prices on the purchase orders and those as stipulated in the OEM Lead Agreement before such invoices are signed off by the Department Head indicating approval thereof. The Company's Audit Department and third party auditors to be appointed by the Company will conduct periodic audit review of the purchase orders and the invoices in order to verify and confirm that the procedure is in place and being followed according to the ISO 13485 Requirement.

(d) *Distribution Agreement:*

Responsible Department/Personnel:

The Company's Pacing Business Unit (head of Business Unit) and Finance Function Department (Department Head)

Procedures:

To ensure the pricing adjustment mechanism under the Distribution Agreement shall be strictly followed and that the relevant annual cap for any given year will not be exceeded, Medtronic shall provide sufficient evidence to the Company for its average selling prices of the pacing products.

The Company will set up the "Pacing Business Unit", which, together with the Company's Finance Function Department, will be responsible for such verification. The verification will be conducted by (1) reviewing the information on resale prices in preceding fiscal year of Medtronic provided by Medtronic China; (2) collecting market information on pricing of similar products selling in those territories as defined under the agreement via the Company's own Sales and Marketing Force or other independent consultancy firms; and (3) if necessary, engaging an independent third party to audit the relevant average selling prices for the Pacing Products. In the event that the Company has good reason to believe there is an error in the average selling price information provided by Medtronic, the Company may escalate the matter under the dispute resolution provisions of the Distribution Agreement.

(e) *License Agreements:*

Responsible Department/Personnel:

The Company's Finance Function Department (Department Head) and Supply Chain Management Department (Department Head)

Procedures:

The Company's Supply Chain Management Department will maintain separate books and records relating to this project's sales separate from other sales (the "Sales Records"). The Company's Finance Function Department will keep the books and accounts relating to this project's sales separately from other sales (the "Accounts"). The Company's Finance Function Department will also calculate the royalty payable to Medtronic, which calculation shall be signed off by the Department Head indicating approval thereof before payment is made by the Company. On an annual basis, the Company's Audit Department will reconcile the Sales Records and the Accounts in order to ensure that the royalty payable to Medtronic pursuant to the License Agreement is only based on this project's sales but not other sales. In addition, the Company's Audit Department and third party auditor to be appointed by the Company will verify and confirm that the procedure is in place and being followed in accordance with the ISO 13485 Requirement.

(ii) The independent non-executive Directors shall review the Transactions and confirm every year in the Company's annual report and accounts that the Transactions have been entered into:

(a) in the ordinary and usual course of business of the Company;

(b) either on normal commercial terms or on terms no less favorable to the Company than those offered by independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

In light of the above conditions, we are of the view that appropriate measures have been put in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

13. OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we are of the view that the terms of the Agreements (including the Annual Caps) are fair and reasonable and in the interest of the Company and the Shareholders as a whole. In addition, we consider that the Transactions are on normal commercial terms and the Agreements are entered into by the Company for its ordinary and usual course of business of the Group.

Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolutions to approve, if thought fit, the Agreements and the transactions contemplated under each of them at the EGM.

Yours faithfully,
for and on behalf of
OPTIMA CAPITAL LIMITED
Benny Ng
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules 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 the information contained in this circular 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 circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests or short positions of Directors and chief executives of the Company in the Shares and underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) or required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, were as follows:

Name of Director	Nature of interest	Number of ordinary shares of the Company	Position	Approximate Percentage of the Company's issued share capital
XIE Yuehui	Interest of controlled corporation *(Note 1)*	781,914,928	Long	19.55%
WU Jianhui	Interest of controlled corporation *(Note 2)*	479,626,656	Long	11.99%
LIU Jianxiong	Beneficial owner	8,000,000	Long	0.20%

Note 1: These shares are held through Xianjian Advanced Technology Limited, a company wholly owned by Mr. XIE, the chairman, chief executive officer and an executive Director of the Company.

Note 2: These shares are held through GE Asia Pacific Investments Ltd., a company wholly owned by Mr. WU, a non-executive Director.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has, or is deemed to have, an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, other than the interests of a Director or chief executive of the Company as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

(a) **Long positions in the Company**

Name of Shareholder	Number of Shares	Position	Capacity	Percentage of the Company's issued share capital
Xianjian Advanced Technology Limited	781,914,928	Long	Beneficial Owner	19.55%
GE Asia Pacific Investments Ltd	479,626,656	Long	Interest of controlled corporation	11.99%
Ally Investment Holdings Limited *(Note 1)*	224,624,000	Long	Interest of controlled corporation	5.62%
Prosperity International *(Note 1)*	224,624,000	Long	Beneficial owner	5.62%
Themes Investment Partners II G.P. L.P. *(Note 1)*	224,624,000	Long	Interest of controlled corporation	5.62%
Themes Investment Partners II, L.P *(Note 1)*	224,624,000	Long	Interest of controlled corporation	5.62%
TIP II General Partner Limited *(Note 1)*	224,624,000	Long	Interest of controlled corporation	5.62%
Wanhui Limited *(Note 1)*	224,624,000	Long	Interest of controlled corporation	5.62%
Yi Xiqun *(Note 1)*	224,624,000	Long	Interest of controlled corporation	5.62%

Name of Shareholder	Number of Shares	Position	Capacity	Percentage of the Company's issued share capital
Yu Fan (Note 1)	224,624,000	Long	Interest of controlled corporation	5.62%
Medtronic International Technology, Inc. *(Note 2)*	760,000,000	Long	Interest of controlled corporation	19.00%
Medtronic, Inc. *(Note 2)*	760,000,000	Long	Interest of controlled corporation	19.00%
Medtronic KL Holdings LLC *(Note 2)*	760,000,000	Long	Beneficial owner	19.00%
Medtronic B.V. *(Note 2)*	760,000,000	Long	Interest of controlled corporation	19.00%
Medtronic Holding Switzerland G.m.b.H. *(Note 2)*	760,000,000	Long	Interest of controlled corporation	19.00%

Note 1: These Shares are held by Prosperity International, which is controlled by Themes Investment Partners II, L.P., which is managed by TIP II General Partner Limited and Themes Investment Partners II GP. L.P.. TIP II General Partner Limited is controlled by Wanhui Limited as to 54% and Ally Investment Holdings Limited as to 41%. Wanhui Limited is wholly-owned by Yi Xiqun and Ally Investment Holdings Limited is wholly-owned by Yu Fan.

Note 2: These shares are held by Medtronic KL Holdings LLC, which is wholly-owned by Medtronic Holding Switzerland G.m.b.H., which in turn is wholly-owned by Medtronic B.V.. Medtronic B.V. is wholly-owned by Medtronic International Technology, Inc., which is controlled by Medtronic, Inc. as to 90.33%.

(b) **Derivative interests**

Name of Shareholder	Number of Shares	Position	Capacity	Percentage of the Company's issued share capital
Ally Investment Holdings Limited *(Note 1)*	199,200,000	Long	Interest of controlled corporation	4.98%
Prosperity International *(Note 1)*	199,200,000	Long	Beneficial owner	4.98%

Name of Shareholder	Number of Shares	Position	Capacity	Percentage of the Company's issued share capital
Themes Investment Partners II G.P. L.P. *(Note 1)*	199,200,000	Long	Interest of controlled corporation	4.98%
Themes Investment Partners II, L.P *(Note 1)*	199,200,000	Long	Interest of controlled corporation	4.98%
TIP II General Partner Limited *(Note 1)*	199,200,000	Long	Interest of controlled corporation	4.98%
Wanhui Limited *(Note 1)*	199,200,000	Long	Interest of controlled corporation	4.98%
Yi Xiqun *(Note 1)*	199,200,000	Long	Beneficial owner	4.98%
Yu Fan *(Note 1)*	199,200,000	Long	Interest of controlled corporation	4.98%
Medtronic International Technology, Inc. *(Note 2 and 3)*	3,028,571,432	Long	Interest of controlled corporation	75.71%
Medtronic, Inc. *(Note 2 and 3)*	3,028,571,432	Long	Interest of controlled corporation	75.71%
Medtronic KL Holdings LLC *(Note 2 and 3)*	3,028,571,432	Long	Beneficial owner	75.71%
Medtronic B.V. *(Note 2 and 3)*	3,028,571,432	Long	Interest of controlled corporation	75.71%
Medtronic Holding Switzerland G.m.b.H. *(Note 2 and 3)*	3,028,571,432	Long	Interest of controlled corporation	75.71%

Note 1: These Shares are held by Prosperity International, which is controlled by Themes Investment Partners II, L.P., which is managed by TIP II General Partner Limited and Themes Investment Partners II GP. L.P.. TIP II General Partner Limited is controlled by Wanhui Limited as to 54% and Ally Investment Holdings Limited as to 41%. Wanhui Limited is wholly-owned by Yi Xiqun and Ally Investment Holdings Limited is wholly-owned by Yu Fan.

Note 2: These shares are held by Medtronic KL Holdings LLC, which is wholly-owned by Medtronic Holding Switzerland G.m.b.H., which in turn is wholly-owned by Medtronic B.V.. Medtronic B.V. is wholly-owned by Medtronic International Technology, Inc., which is controlled by Medtronic, Inc. as to 90.33%.

Note 3: Capitalised terms used in this paragraph shall have the same meanings as those defined in the circular of the Company dated 6 January 2013 on the Existing Agreement and the circular of the Company dated 22 December 2014 regarding the proposed Share Subdivision. These shares are the underlying shares of the Company to be issued upon the full conversion of the first tranche convertible notes and the second tranche convertible notes pursuant to the terms and conditions under the Existing Agreement dated 14 October 2012. Completion of the subscription of the first tranche convertible notes at the principal amount of HK$152 million, which are convertible into 40,000,000 new shares at the conversion price of HK$3.80, took place on 30 January 2013. Given the Share Subdivision which became effective on 12 January 2015, the conversion price of the first tranche convertible notes has been adjusted to HK$0.475 per Share and the number of Shares to be allotted and issued pursuant to the first tranche convertible notes has been adjusted to 320,000,000 Shares. As at the Latest Practicable Date, the Company has not been notified by the noteholder of its intention to convert the first tranche convertible notes, and the subscription of the second tranche convertible notes is pending to be completed.

Save as disclosed above, as at the Latest Practicable Date, the Directors of the Company were not aware of any other person (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as was known to the Directors, none of the Directors or their respective associates had interests in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors:

(i) had any interest in any assets which have been since 31 December 2014 (being the date to which the latest published audited accounts of the Company 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; or

(ii) was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in the 2014 annual report of the Company dated 30 March 2015 which announced that the Company recorded a net loss (after taking into account the fair value losses related to the first tranche convertible notes (the "**Fair Value Loss**")) for the year ended 31 December 2014 but an increase in operating profit (without taking into account the Fair Value Loss) for the year ended 31 December 2014 as compared to the corresponding period in 2013, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Company were made up.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has provided its opinion or advice, which is contained in this circular:

Name	Qualification
Optima Capital Limited	A corporation licensed under the SFO permitted to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser in respect of the Agreements

Optima has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and references to its name and advice or opinion in the form and context in which they respectively appear.

9. INTERESTS OF EXPERT

As at the Latest Practicable Date, Optima:

(a) did not have any shareholding in or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and

(b) was not interested, directly or indirectly, in any assets which have been or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2014, being the date to which the latest published audited accounts of the Company were made up.

10. MISCELLANEOUS

(a) The registered office of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(b) The branch share registrar of the Company in Hong Kong is at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The company secretary of the Company is Mr. LIU Jianxiong. Mr. LIU has been a member of the Association of Chartered Certified Accountants since 1997 and a registered tax agent since 1999.

(d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the office of Brandt Chan & Partners in association with Dentons HK LLP at Suite 3201, Jardine House, 1 Connaught Road, Central, Hong Kong, up to and including the date of the EGM:

(a) the Agreements;

(b) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 49 and 50 of this circular;

(c) the letter from Optima Capital Limited, the Independent Financial Adviser, the text of which is set out on pages 51 to 90 of this circular; and

(d) the written consent referred to in paragraph 8 of this appendix.

LIFETECH SCIENTIFIC CORPORATION

先健科技公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1302)

NON-EXEMPT CONNECTED TRANSACTION IN RELATION TO (1) THE EQUIPMENT AND COMPONENTS SUPPLY AGREEMENT (CONNECTED EQUIPMENT TRANSFER TRANSACTION) AND NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS IN RELATION TO (2) THE SUPPLY OF COMPONENTS PURSUANT TO THE EQUIPMENT AND COMPONENT SUPPLY AGREEMENT (CONTINUING COMPONENT TRANSACTIONS) (3) THE PACEMAKER CONSULTING SERVICES AGREEMENT (CONTINUING SERVICE TRANSACTIONS) (4) THE MANUFACTURING AGREEMENT (CONTINUING OEM LEAD TRANSACTIONS) (5) THE SUPPLY AND EXCLUSIVE DISTRIBUTION AGREEMENT (CONTINUING DISTRIBUTION TRANSACTIONS) (6) THE LICENSE AGREEMENTS (CONTINUING LICENSE TRANSACTIONS)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of LifeTech Scientific Corporation (the "**Company**") will be held at Floor 3, Cybio Electronic Building, Langshan 2nd Street, North Area of High-tech Park, Nanshan District, Shenzhen, PRC on 7 May 2015 at 10:00 a.m. for the purpose of considering as special business and, if thought fit, passing the following resolutions, with or without amendments:

1. "AS AN ORDINARY RESOLUTION, THAT

   (a) the entering into of the Agreements dated 25 July 2014 and 17 April 2015, respectively, among the Company and its Affiliates and Medtronic and its Affiliates and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

   (b) the proposed annual caps for the Continuing Component Transactions, the Continuing Service Transactions and the Continuing OEM Lead Transactions as set out in the circular of the Company dated 20 April 2015, be and are hereby approved, confirmed and ratified; and

(c) any one Director be and is hereby authorized to do all such acts and things and execute all such documents which he considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Agreements and the respective transactions contemplated thereunder, and to make or agree such variations of a non-material nature to any of the terms thereof as any Director may in his discretion consider to be desirable and in the interests of the Company."

Capitalised terms in this notice of EGM shall have the same meanings as defined in the circular of the Company dated 20 April 2015 unless the context otherwise specified.

By Order of the Board
LifeTech Scientific Corporation
XIE Yuehui
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 20 April 2015

Notes:

(1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.

(2) In order to be valid, the proxy form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be delivered to the Company's branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for holding the meeting (or any adjournment thereof).