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## **LifeTech Scientific Corporation**

**先健科技公司**

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

**(Stock Code: 1302)**

### **INSIDE INFORMATION**

#### **THIRD SUPPLEMENTAL AGREEMENT**

#### **RELATING TO**

#### **(I) DISTRIBUTION AGREEMENT AND (II) SERVICES AGREEMENT**

This announcement is made by the Company pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The Board hereby announces that on 2 November 2015 (after the morning trading session), the Company, PerMed, and Medtronic further entered into the Third Supplemental Agreement pursuant to which the terms of the Distribution Agreements have been modified by terminating the arrangements relating to the Valve only with effect from the date of the Third Supplemental Agreement. In addition, the Services Agreements have been modified to the extent that only that part of the Services Agreements as to the Valve will be automatically terminated after Completion of the Continuing Services.

Given the Company's manufacturing and quality system of the Valve has significantly improved as a result of the consulting services provided by Medtronic to the Company for the manufacturing of the Valve during the effective period of the First Services Agreements, the Company expects that such improvement will enhance its competitiveness in the production and distribution of the Valve. As

such, the Company believes that the Termination pursuant to the Third Supplemental Agreement, which allows the Company to distribute the Valve of improved quality directly to its external customers, is beneficial to the Company and will enable the Company to generate more profit in the Valve market and continue the Company's commitment to provide better products to patients served.

The Board is of the view that there is no other change to the Distribution Agreements and the Services Agreements than the Termination under the Third Supplemental Agreement and related matters as disclosed in this announcement. The aim of entering into the Third Supplemental Agreement is to optimize the broader strategic alliance between Medtronic and the Company. Further, the Company continues to share the strategic vision of bringing together the resources and technologies of Medtronic, the world's largest medical device company with the growth potential of the Company and the domestic market expertise.

This announcement is made by LifeTech Scientific Corporation pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 15 October 2012, 6 January 2013 and 15 June 2014 (the "**Announcements**") and the circulars of the Company dated 6 January 2013 and 21 August 2014 (the "**Circulars**") in relation to, among others, the entering of the Distribution Agreements and the Services Agreement.

The Board hereby announces that on 2 November 2015 (after the morning trading session), the Company, PerMed, and Medtronic entered into the Third Supplemental Agreement to, among other things, terminate the distribution rights of Medtronic in relation to the Valve. Under the Third Supplemental Agreement, the terms of the Distribution Agreements have been modified by terminating the arrangements relating to the Valve only with effect from the date of the Third Supplemental Agreement. For clarity, Medtronic will continue to distribute Supplemental Occluder Products and other products according to the Distribution Agreements.

As termination of the Distribution Agreements would result in automatic termination of the Services Agreements according to the original terms of the Services Agreement, the Services Agreements have also been modified to the extent that only that part of the Services Agreements as to the Valve will be automatically terminated after Completion of the Continuing Services.

In addition, under the Third Supplemental Agreement, it is agreed among the Parties that:

- (i) both the Company and Medtronic shall release and discharge each other from any claims which each of them has, had or may have against the other party related to or arising out of (i) the Distribution Agreements in so far as they relate to the Valve, up to and through the date of the Third Supplemental Agreement, and (ii) the Services Agreements in so far as they relate to the Valve, up to and through the date the Completion of the Continuing Services.
- (ii) all rights and obligations that are continuing in nature in the Distribution Agreements shall survive the date of the Third Supplemental Agreement.
- (iii) the Company's obligation to Medtronic for the Royalties of 4% of the Incremental Sales Revenue (which includes sales of the Valve) under the Services Agreement shall continue regarding the Valve. As at the date of the Third Supplemental Agreement, while the two (2)-year term of the First Services Agreements which commenced on the First Tranche Completion Date has expired, the fixed term of twenty (20) years for the Royalties under the First Services Agreements which also commenced on the First Tranche Completion Date has not yet expired or terminated. For details of the terms of the First Services Agreements and Royalties, please refer to the circular of the Company dated 6 January 2013.
- (iii) the Services Agreements shall remain in full force and effect pursuant to their terms as they relate to other Products than the Valve.
- (iv) any Valve that have entered the stream of commerce or been provided to customers or used in patients shall be treated as if distributed by the Company, and any Valve received by Medtronic from the Company in the normal course of business under the Distribution Agreements shall be returned or destroyed according to the methods as agreed in the Third Supplemental Agreement.

The Company and Medtronic have further mutually agreed that the representations and warranties shall remain unchanged and have further made representations and warranties relating to the Continuing Services.

## **REASONS AND BENEFITS FOR THE THIRD SUPPLEMENTAL AGREEMENT**

The purpose of entering into the Third Supplemental Agreement is to terminate the arrangements contemplated under the First Distribution Agreements relating to the Valve only, with the exception of the specific Continuing Services provided for completion, and have the Services Agreements continue until completion of such Continuing Services with regard to the Valve, and then continue as to any Products other than the Valve.

Given the Company's manufacturing and quality system of the Valve has significantly improved as a result of the consulting services provided by Medtronic to the Company for the manufacturing of the Valve during the effective period of the First Services Agreements, the Company expects that such improvement will enhance its competitiveness in the production and distribution of the Valve. As such, the Company believes that the Termination pursuant to the Third Supplemental Agreement, which allows the Company to distribute the Valve of improved quality directly to its external customers, is beneficial to the Company and will enable the Company to generate more profit in the Valve market and continue the Company's commitment to provide better products to patients served.

Other than the Termination under the Third Supplemental Agreement and related matters as disclosed above, the Board is of the view that there is no change to the Distribution Agreements and the Services Agreements.

In addition, the aim of entering into the Third Supplemental Agreement is to optimize the broader strategic alliance between Medtronic and the Company. Further, the Company continues to share the strategic vision of bringing together the resources and technologies of Medtronic, the world's largest medical device company with the growth potential of the Company and the domestic market expertise.

Given the Products actually distributed under the First Distribution Agreements comprise only the Valve, the annual caps previously sought and approved by Independent Shareholders for the continuing connected transactions (as mentioned in the Company's announcement dated 15 October 2012) will no longer be used. As such, the proposed termination of the First Distribution Agreements and the First Services Agreements in relation to the Valve under the Third Supplemental Agreement in effect will amount to the cessation of the continuing connected transactions between the Group and Medtronic relevant to the Valve only, without affecting the other continuing connected transactions between the Group and

Medtronic contemplated separately under the Distribution Agreements as a whole, for which separate Independent Shareholders approval has been sought and separate annual caps (as mentioned in the Company’s announcement dated 15 June 2014) have been approved.

Save for the discontinuation of the distribution of the Valve and the cessation of the use of the related annual caps as mentioned above, there is no change to the terms of the Company’s existing continuing connected transactions upon the entering into of the Third Supplemental Agreement, including but not limited to the period, annual caps and pricing basis. Accordingly, the Board is of the view that the entering into of the Third Supplemental Agreement has not effected a material change to the terms of the Distribution Agreements under Rule 14A.54(2) of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Third Supplemental Agreement and the transactions contemplated thereunder are fair and reasonable, have been entered into after arm’s length negotiation and determined on normal commercial terms, and are in the interests of the Company and the Shareholders as a whole.

## **DEFINITIONS**

Capitalised terms used in this announcement shall have the same meaning as defined in the Announcements and the Circulars, save as otherwise required in this announcement or defined as follows:

“Company”	LifeTech Scientific Corporation, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange after being transferred from the Growth Enterprise Market of the Stock Exchange on 6 November 2013 (Stock Code: 1302)
“Completion”	completion of the Continuing Services which will occur no later than four (4) months from the date of the Third Supplemental Agreement unless agreed to in writing among the Parties
“Continuing Services”	collaborate with wireform supplier (Medicoil) and the Company to complete development of remaining size wireforms-MS003-01, MS003-06 and MS003-07
“Distribution Agreements”	collectively the First Distribution Agreements and the Second Supplemental Distribution Agreement

“First Distribution Agreements”	the supply and exclusive distribution agreement dated 14 October 2012 entered into between the Company, PerMed and Medtronic to appoint Medtronic to be its exclusive distributor of the Products, together with the supplemental agreement to the supply and exclusive distribution agreement dated 5 January 2013 entered into between Company, PerMed and Medtronic
“First Services Agreements”	the services agreement dated 14 October 2012 entered into between the Company and Medtronic for the provision of certain services by Medtronic to the Company, together with the supplemental agreement dated 5 January 2013 entered into between the Company and Medtronic
“Parties”	the parties to the Third Supplemental Agreement, i.e. the Company, Medtronic and PerMed
“Services Agreements”	collectively the First Services Agreements and the Second Supplemental Services Agreement
“Termination”	termination of arrangements in relation solely to the Valve under the Distribution Agreements and the Services Agreements
“Third Supplemental Agreement”	the third supplemental agreement to the supply and exclusive distribution agreement and the services agreement dated 2 November 2015 entered into between the Company, PerMed, and Medtronic
“Valve”	all current and future heart valve products, including but not limited to a Surgical Bovine Heart Valve

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

Hong Kong, 2 November 2015

*As at the date of this announcement, the Board comprises Mr. XIE Yuehui and Mr. LIU Jianxiong being executive Directors; Mr. WU Jianhui, Mr. MONAGHAN Shawn Del, Mr. JIANG Feng and Mr. CLEARY Christopher Michael being non-executive Directors; and Mr. LIANG Hsien Tse Joseph, Mr. ZHOU Gengshen and Mr. ZHOU Luming being independent non-executive Directors.*