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LIFETECH SCIENTIFIC CORPORATION

先健科技公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8122)

ENTERING INTO THE SUPPLEMENTAL AGREEMENTS, THE CONTROLLER PUBLIC FLOAT UNDERTAKING, THE CONTROLLER GUARANTEE AND INDEMNITY AND

UPDATES ON THE STRATEGIC TRANSACTION WITH MEDTRONIC

Reference is made to the announcement of the Company dated 15 October 2012 (the “**Announcement**”). Terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise.

This announcement is made pursuant to Rules 17.10 and 20.47 of the GEM Listing Rules.

On 5 January 2013,

- (1) Medtronic and the Company entered into a supplemental agreement to the Investment Agreement (the “**Supplemental Investment Agreement**”) and a supplemental agreement to the Services Agreement (the “**Supplemental Services Agreement**”), while Medtronic, the Company and PerMed entered into a supplemental agreement to the Distribution Agreement (the “**Supplemental Distribution Agreement**”, together with the Supplemental Investment Agreement and the Supplemental Services Agreement, the “**Supplemental Agreements**”);

- (2) Mr. Xie, Mr. Wu and their respective wholly-owned intermediate holding companies, namely Xianjian Advanced Technology Limited and GE Asia Pacific Investments Ltd. (collectively the “**Controlling Shareholder Group**”), executed a deed of undertaking (the “**Controller Public Float Undertaking**”) in favour of the Company and Medtronic to assist the Company to comply with the minimum public float requirement under Rule 11.23(7) of the GEM Listing Rules (the “**Public Float Requirement**”); and
- (3) the Controlling Shareholder Group executed a deed of guarantee and indemnity (the “**Controller Guarantee and Indemnity**”) in favour of the Company undertaking not to dispose of their Shares in the prescribed manner in view of the Company’s obligation relating to the Additional Payment under the Services Agreement.

The principal terms of the Supplemental Agreements, the Controller Public Float Undertaking and the Controller Guarantee and Indemnity are set out below.

THE SUPPLEMENTAL AGREEMENTS

Supplemental Investment Agreement

Under the Supplemental Investment Agreement, Medtronic and the Company agreed, among other things, that:

- (a) the right of conversion of the Noteholder under the Second Tranche Convertible Notes may be exercised only to the extent that it would not result in the Company being in breach of the Public Float Requirement after the issue of the Conversion Shares;
- (b) upon the Noteholder issuing a conversion notice to inform the Company of its intention to convert the Convertible Notes pursuant to the terms and conditions thereof, if the conversion will result in non-compliance with the Public Float Requirement, the conversion right under the Convertible Notes will be suspended, and the Company will not issue and allot the Conversion Shares in question to the extent or until it has taken all necessary actions to ensure due compliance with the Public Float Requirement and there would not be any non-compliance with the Public Float Requirement immediately following the conversion;

- (c) at the completion of the issuance of the First Tranche Convertible Notes, the Company shall deliver to Medtronic the Controller Public Float Undertaking and evidence satisfactory to Medtronic that not less than 21,261,428 Shares are subject to escrow arrangements with reference to the Controller Public Float Undertaking;
- (d) the condition precedent for the completion of the First Tranche Convertible Notes under clause 3.1(F) of the Investment Agreement (as disclosed under clause (f) on page 5 of the announcement of the Company dated 15 October 2012) be removed; and
- (e) the various post-first tranche completion undertakings provided by the Company under the Investment Agreement shall be effective only so long as Medtronic holds Convertible Notes with an aggregate principal amount of not less than HK\$121,600,000, being 80% of the principal amount of the First Tranche Convertible Notes.

Supplemental Distribution Agreement

Under the Supplemental Distribution Agreement, the Company, PerMed and Medtronic agreed, among other things, that:

- (a) the Distribution Agreement shall be effective for a fixed term of five years from the First Tranche Completion Date. Thereafter, the Distribution Agreement shall, unless terminated pursuant to the terms of the Distribution Agreement or a six-month advance notice of non-renewal is served by either party and subject to the compliance with the Listing Rules, be automatically renewed for additional periods of not more than three (3) years each; and
- (b) the Right of First Negotiation under the Distribution Agreement shall be effective for so long as the Distribution Agreement remains effective.

Supplemental Services Agreement

Under the Supplemental Services Agreement, the Company and Medtronic agreed, among other things, that:

- (a) the Services Agreement shall be effective for a term of two (2) years commencing from the First Tranche Completion Date, while the Royalty payments under the Services Agreement shall be payable for a fixed term of twenty (20) years commencing from the First Tranche Completion Date; and

- (b) the Services Agreement shall terminate automatically upon Medtronic's interest in the Company falling below 15% or rising above 50% on a fully-diluted basis (for this purpose, not assuming any conversion of the Convertible Notes issued to Medtronic under the Investment Agreement).

Revised annual caps for the Services Agreement and basis of calculation

In view of the Supplemental Services Agreement, the annual caps for the transactions under the Services Agreement as announced by the Company on 15 October 2012 have been revised as set out below, and such annual caps include the Fees and the Royalties at 4% of the incremental sales revenue achieved by the Group (the "**Incremental Sales Revenue**") but exclude the additional royalties of RMB300,000,000 (the "**Additional Royalties**") and the additional payment of RMB300,000,000 (the "**Additional Payment**") under the Services Agreement:

- (i) for the year ending 31 December 2013, the annual cap will comprise of the Fees at the amount of RMB9,450,000 plus the Royalties calculated with reference to the quarterly Incremental Sales Revenue,
- (ii) for the year ending 31 December 2014, the annual cap will comprise of the Fees at the amount of RMB22,050,000 plus the Royalties calculated with reference to the quarterly Incremental Sales Revenue,
- (iii) for the each of the 18 remaining years ending 31 December 2032, the annual cap will comprise of the Royalties calculated with reference to the quarterly Incremental Sales Revenue only.

The Incremental Sales Revenue above refers to, starting from the First Tranche Completion Date, any incremental portion of the sales revenues achieved by the Group for all of its products in each quarter of its financial year that is above its average quarterly sales revenues for the financial year ended 31 December 2012 (the "**Base Line**"). For the avoidance of doubt, the Base Line shall be determined according to the 2012 annual report of the Company to be published by the Company pursuant to the applicable GEM Listing Rules.

The Royalties portion of the revised annual caps above are subject to the cumulative cap of RMB300,000,000 (the "**Cumulative Cap**") (with the Cumulative Cap being increased to RMB600,000,000 under the Services Agreement if the Additional Royalties payment conditions are triggered). The revised annual caps under the Services Agreement, the Cumulative Cap and the Additional Royalties are applicable

to the Company throughout the entire term of the Services Agreement. The Royalties are intended to be Medtronic's compensation for the proprietary know-how and related materials that will be licensed to and made available to the Company in the course of providing Services, and which the Company will retain for use into perpetuity long after the expiry of the Services Agreement. At 4%, the Royalties are lower than the Company typically would see for a substantive license of know-how in the medical device industry. In addition, the 4% figure is based on the incremental, new revenue the Company experiences subsequent to the First Tranche Completion Date. For further details, please refer to the circular to be published by the Company in relation to the Transaction.

THE CONTROLLER PUBLIC FLOAT UNDERTAKING

On 5 January 2013, the Controlling Shareholder Group entered into the Controller Public Float Undertaking in favour of the Company and Medtronic for the purpose of assisting the Company in complying with the Public Float Requirement at all times. In particular, the members of the Controlling Shareholder Group have, jointly, severally and irrevocably, undertaken to implement the Controller Public Float Undertaking as follows:

- (a) from the date of the Controller Public Float Undertaking until the full conversion of the Second Tranche Convertible Notes, unless prior written consent has been obtained from the Company, each member of the Controlling Shareholder Group undertake to the Company and Medtronic that it shall not, and shall procure that the relevant registered shareholders shall not dispose of 21,261,428 Shares in aggregate representing approximately 4.252% of the issued share capital of the Company as at the date of the Controller Public Float Undertaking;
- (b) for the purpose of assisting the Company in complying with the Public Float Requirement, Xianjian Advanced shall upon written request from the Company dispose of up to 10,630,714 Shares (representing approximately 2.126% of its total shareholding interest in the Company as at the date of the Controller Public Float Undertaking) (the "**Xianjian Advanced Shares**") to independent third parties of the Company;
- (c) for the purpose of assisting the Company in complying with the Public Float Requirement, GE Asia Pacific shall upon written request from the Company dispose of up to 10,630,714 Shares (representing approximately 2.126% of its total shareholding interest in the Company as at the date of the Controller Public Float Undertaking) (the "**GE Asia Pacific Shares**") to independent third parties of the Company; and

(d) on or before First Tranche Completion Date, Xianjian Advanced and GE Asia Pacific shall enter into escrow arrangements on terms satisfactory to the Company and Medtronic with respect to the Xianjian Advanced Shares and the GE Asia Pacific Shares respectively.

The Controller Public Float Undertaking shall be effective from signing date until the earlier of the full conversion of the Second Tranche Convertible Notes or the termination of the Investment Agreement.

THE CONTROLLER GUARANTEE AND INDEMNITY

Under the Services Agreement, the Company shall make the Additional Payment of RMB300,000,000 to Medtronic in the event that any person other than Medtronic holds an interest of 50% or more in the share capital of the Company. Pursuant to the Controlling Shareholder Guarantee and Indemnity, each of member of the Controlling Shareholder Group jointly and severally guaranteed, irrevocably and unconditionally, to the Company that it would not dispose of any Shares to a person resulting in that person acquiring an interest of 50% or more in the Company to the effect that the Company shall be required to make the Additional Payment as mentioned above.

TAKEOVERS CODE IMPLICATIONS

The Board wishes to elaborate on the potential Takeovers Code implications of Medtronic exercising its right to convert the Second Tranche Convertible Notes. Upon conversion, the interests held by Medtronic will increase from approximately 25% to 51% of the issued share capital of the Company as enlarged by the Conversion Shares, and Medtronic will be obliged to make a mandatory general offer for all the Shares not already owned or agreed to be acquired by Medtronic or parties acting in concert with it pursuant to Rule 26 of the Takeovers Code. To the best knowledge, information and belief of the Directors, Medtronic will, after the conversion conditions for the Second Tranche Convertible Notes have been fulfilled but before exercising its right to convert the Second Tranche Convertible Notes, comply with the requirements of the Takeovers Code and will either conduct a mandatory general offer or apply for a Whitewash Waiver pursuant to the requirements under the Takeovers Code.

As the subscription and conversion of the Second Tranche Convertible Notes may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

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

Shenzhen, P.R.C., 6 January 2013

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

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

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