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LifeTech Scientific Corporation

先健科技公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1302)

NON-EXEMPT CONTINUING CONNECTED TRANSACTION THE SECOND SUPPLEMENTAL DISTRIBUTION AGREEMENT WITH MEDTRONIC

Reference is made to the announcement of LifeTech Scientific Corporation (the “**Company**”) dated 15 October 2012 relating to, among other things, the Distribution Agreement entered into among the Company, PerMed and Medtronic (the “**Announcement**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

THE SECOND SUPPLEMENTAL DISTRIBUTION AGREEMENT

As disclosed in the Announcement, on 14 October 2012, the Company, PerMed and Medtronic entered into the Distribution Agreement under which Medtronic was appointed as the exclusive distributor of PerMed with the exclusive right to advertise, promote, market, distribute and sell the Products worldwide. The Distribution Agreement was subsequently amended on 5 January 2013 by the supplemental agreement relating to the Distribution Agreement dated 14 October 2012 entered into among the Company, PerMed and Medtronic (collectively referred to as the “**Existing Distribution Agreements**”).

The Board is pleased to announce that on 13 June 2014, the Company, Medtronic, PerMed and Lifetech (Shenzhen) entered into a second supplemental agreement to the Existing Distribution Agreements (the “**Second Supplemental Distribution Agreement**”) pursuant to which Lifetech (Shenzhen) appoints Medtronic as (i) the exclusive distributor for the Supplemental Occluder Products it manufactures and (ii) a non-exclusive distributor for its Supplemental Accessory Products in selected countries in Europe and the Middle East. The distribution of the Supplemental Products will be conducted in the Company’s ordinary course of business.

There are no material changes to the Existing Distribution Agreements.

Upon the execution of the Second Supplemental Distribution Agreement, pursuant to the terms of the Existing Distribution Agreements and the Second Supplemental Distribution Agreement, the Company, PerMed and Lifetech (Shenzhen) assigned and delegated their rights and obligations in relation to the Supplemental Products under the Existing Distribution Agreements and the Second Supplemental Distribution Agreement to New Centre International Limited, a wholly-owned subsidiary of the Company on the same day. The rights and obligations under the Existing Distribution Agreements and the Second Supplemental Distribution Agreement to the Group, on a consolidated basis, remain unchanged.

LISTING RULES IMPLICATIONS ON THE SECOND SUPPLEMENTAL DISTRIBUTION AGREEMENT

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 Second Supplemental Distribution Agreement constitute continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profit ratio) calculated under Rule 14.07 of the Listing Rules for the Annual Caps are higher than 5%, the continuing connected transaction under the Second Supplemental Distribution Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under the relevant Listing Rules.

The Independent Board Committee has been formed to provide recommendation to the Independent Shareholders in relation to the Second Supplemental Distribution Agreement and the transactions contemplated thereunder. Optima has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Second Supplemental Distribution Agreement as well as whether it is a normal business practice for the type of the Second Supplemental Distribution Agreement to be of a duration longer than 3 years under Rule 14A.35(1) of the Listing Rules.

The Company expects that a circular containing, among other things, (i) details of the Second Supplemental Distribution Agreement; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from Optima to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required under the Listing Rules will be dispatched to the Shareholders as soon as possible but in any event by 7 July 2014.

Reference is made to the Announcement.

As disclosed in the Announcement, on 14 October 2012, the Company, PerMed and Medtronic entered into the Distribution Agreement (which was subsequently amended on 5 January 2013) under which Medtronic was appointed as the exclusive distributor of PerMed with the exclusive right to advertise, promote, market, distribute and sell the Products worldwide.

The Board is pleased to announce that on 13 June 2014, the Company, Medtronic, PerMed and Lifetech (Shenzhen) entered into the Second Supplemental Distribution Agreement pursuant to which Lifetech (Shenzhen) appoints Medtronic as (i) the exclusive distributor for the Supplemental Occluder Products it manufactures and (ii) a non-exclusive distributor for its Supplemental Accessory Products in selected countries in Europe and the Middle East. The distribution of Supplemental Products will be conducted in the Company's ordinary course of business.

There are no material changes to the Existing Distribution Agreements.

Upon the execution of the Second Supplemental Distribution Agreement, pursuant to the terms of the Existing Distribution Agreements and the Second Supplemental Distribution Agreement, the Company, PerMed and Lifetech (Shenzhen) assigned and delegated their rights and obligations in relation to the Supplemental Products under the Existing Distribution Agreements and the Second Supplemental Distribution Agreement to New Centre International Limited, a wholly-owned subsidiary of the Company, on the same day. The rights and obligations under the Existing Distribution Agreements and the Second Supplemental Distribution Agreement to our Group, on a consolidated basis, remain unchanged.

Particulars of the Second Supplemental Distribution Agreement are described as follows:

Date:	13 June 2014
Parties:	(i) Medtronic; (ii) the Company; (iii) PerMed; and (iv) Lifetech (Shenzhen).

Term: The Second Supplemental Distribution Agreement is effective on the Supplemental Effective Date for a term of five years from the Supplement Start Date (as defined below).

Thereafter, the term shall be automatically renewed for additional periods of not more than three years each unless the Second Supplemental Distribution Agreement is terminated pursuant to the terms therein or a six-month advance notice of non-renewal is served by either party.

Nature of transaction: Pursuant to the Second Supplemental Distribution Agreement, Lifetech (Shenzhen) appoints Medtronic as (i) the exclusive distributor of Lifetech (Shenzhen) with the exclusive right to advertise, promote, market, distribute and sell the Supplemental Occluder Products in selected countries in Europe and the Middle East; and (ii) a non-exclusive distributor with the right to advertise, promote, market, distribute and sell the Supplemental Accessory Products in selected countries in Europe and the Middle East.

The exclusive distributorship for the Supplemental Occluder Products may be changed to non-exclusive upon advance notice of the Company if Medtronic or its Affiliates hold, in aggregate, less than fifteen percent (15%) of the share capital of the Company.

Actual distribution of a specific Supplemental Product shall not commence until the applicable regulatory approval has been obtained by the Company, and Medtronic consents to the commercial release of such Supplemental Product.

Conditions precedent of Medtronic's obligations: Medtronic's obligations under the Second Supplemental Distribution Agreement shall not commence until the date on which the following conditions are satisfied (the "**Supplemental Start Date**"):

- (i) the Second Supplemental Services Agreement has been duly signed by relevant parties;

- (ii) the agreements with the existing distributors and sales agents for the Supplemental Occluder Products which are authorised by the Company or Lifetech (Shenzhen) respectively, directly or through its Affiliate, as of the Supplemental Effective Date have been terminated and the territories covered by those distributors and sales agents are transferred to the exclusive control of Medtronic or its Affiliates;
- (iii) Lifetech (Shenzhen) or the Company have completed all of the covenants and action items relating to quality systems, process controls, functional testing and verification work regarding tissue heart valves and Supplemental Products to Medtronic's satisfaction, including all of those covenants set forth in the annex of the Second Supplemental Services Agreement;
- (iv) With respect to the covenants set forth in the Investment Agreement and the Second Supplemental Services Agreement, Lifetech (Shenzhen) or the Company respectively have diligently made progress for accomplishing such covenants, and have timely completed those portions of such covenants required to be completed by the Supplemental Start Date; and
- (v) Certain requirements under the Investment Agreement required to have occurred by the Supplemental Start Date have occurred.

Minimum Purchases
and Annual Sales
Target:

Medtronic shall purchase a minimum of USD three (3) million worth of Supplemental Products from Lifetech (Shenzhen) in the first year from the Supplemental Start Date, with this minimum purchase requirement increasing by ten percent (10%) each year until such time as Medtronic has purchased an aggregate of USD sixteen (16) million worth of Supplemental Products and at such time the annual minimum purchase requirement shall remain flat each year thereafter at the level of the most recent year. In addition, the parties shall agree in good faith, in respect of the first year from the Supplemental Start Date, an annual sales target, i.e. the anticipated volume of product sales that Medtronic plans to purchase and Lifetech (Shenzhen) plans to manufacture. The parties shall negotiate the annual sales target each year thereafter for the Supplemental Products that Medtronic shall purchase from Lifetech (Shenzhen) in the relevant year.

Pricing:

The price of each type of the Supplemental Products to be purchased by Medtronic within the first year from the Supplemental Start Date shall be agreed by the parties in good faith, as specified under the Second Supplemental Distribution Agreement. The price of the Supplemental Products shall be determined by a specified formula based on, among other things, the difference between the average price at which such Supplemental Products are sold by Medtronic to its customers and the price at which the Supplemental Products are sold by Lifetech (Shenzhen) to Medtronic in the previous year.

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

Payment Term:

Medtronic's payments to Lifetech (Shenzhen) shall be sixty (60) days after the date of invoice or the date of delivery.

The Board (other than the independent non-executive Directors whose view will be included in the circular after being advised by the independent financial adviser) is of the view that the terms of the Second Supplemental Distribution Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

ANNUAL CAPS

Assuming that the Supplemental Start Date will commence from 2014, the proposed annual caps for the transactions under the Second Supplemental Distribution Agreement for the years ending 31 December 2014, 2015, 2016, 2017 and 2018 are as follows (in USD millions):

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
3.25	8.13	8.94	9.83	10.81

Each of the proposed caps was determined with reference to the following factors:

1. the promising prospects of the congenital heart market in terms of the market size, average selling prices and estimated growth rate based on market research reports prepared by independent third party market research agencies; and
2. the projected sales of the Supplemental Products for the five (5) calendar years after the Supplemental Start Date based on the annual sales targets, the estimated growth rate of the sales, and the estimated transfer price of the Supplemental Products.

INFORMATION ON MEDTRONIC

To the best understanding, knowledge and belief of the Directors, Medtronic is one of the largest medical technology companies based in the United States composed of six main business units which develop and manufacture medical devices and therapies. Medtronic was incorporated under the laws of Minnesota on 23 April, 1957, and its shares are listed on the New York Stock Exchange. As Medtronic is a substantial shareholder of the Company, it is accordingly a connected person as defined under the Listing Rules.

INFORMATION ON THE COMPANY AND LIFETECH (SHENZHEN)

The Company is a developer, manufacturer and marketer of advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders. The Group is dedicated to researching, developing, manufacturing and marketing advanced minimally invasive interventional medical

devices for cardiovascular and peripheral vascular diseases and disorders, with a global reach and has subsidiaries in China, Netherlands, India, Russia and France. As a leading medical device company in China with 15 years of history, the Company has built up a strong worldwide sales network, offering a broad range of products to over 30 countries across Asia, Europe, South America, North America and Africa. Lifetech (Shenzhen) is an operating subsidiary of the Group based in Shenzhen, PRC and engages in the manufacturing of medical devices including the Supplemental Products specified under the Second Supplemental Distribution Agreement.

REASONS AND BENEFITS OF THE SECOND SUPPLEMENTAL SERVICES AGREEMENT TO THE COMPANY

The Company believes that the transactions contemplated under the Second Supplemental Distribution Agreement will enable the Company to achieve synergies in collaboration with Medtronic and accelerate its effort to become a world-class, leading provider of cardiovascular products including the Supplemental Products specified under the Second Supplemental Distribution Agreement. Medtronic, being a globally recognized and well-regarded market player in the medical devices industry, will bring in significant brand recognition, sales, marketing, distribution, training, education and clinical capabilities. The Company, being an emerging player in the China medical devices industry, will benefit from the extensive international capabilities and industry expertise of Medtronic. In view of the potential to greatly enhance its distribution footprint and accelerate sales revenue, the Company considers that the Second Supplemental Distribution Agreement is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATION

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 Second Supplemental Distribution Agreement constitute continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules. As the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules for the Annual Caps are higher than 5%, the continuing connected transactions under the Second Supplemental Distribution Agreement are subject to the reporting, announcement and Independent Shareholders' approval requirements under the relevant Listing Rules.

The Independent Board Committee has been formed to provide recommendation to the Independent Shareholders in relation to the Second Supplemental Distribution Agreement 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 Second Supplemental Distribution Agreement.

Optima has also been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Second Supplemental Distribution Agreement as well as whether it is a normal business practice for the type of the Second Supplemental Distribution Agreement to be of a duration longer than 3 years under Rule 14A.35(1) of the Listing Rules.

The Company expects that a circular containing, among other things, (i) details of the Second Supplemental Distribution Agreement; (ii) the commendation of the Independent Board Committee to the Independent Shareholders; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required under the Listing Rules will be dispatched to the Shareholders as soon as possible but in any event by 7 July 2014.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Affiliates”	means any other entity that directly or indirectly through one or more intermediaries, Controls, or is controlled by, or is under common Control with, the first entity
“Annual Caps”	the proposed annual caps for the transactions under the Second Supplemental Distribution Agreement for the years ending 31 December 2014, 2015, 2016, 2017 and 2018
“Board”	the board of Directors of the Company
“Business Day”	means a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 5:00 p.m. and is not lowered at or before 5:00 p.m. or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 8:00 p.m. and is not discontinued at or before 5:00 p.m.) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours

“Company”	LifeTech Scientific Corporation, a company incorporated in the Cayman Islands with limited liability, the shares of which were listed on the Main Board of the Stock Exchange after being transferred from Growth Enterprise Market of the Stock Exchange on 6 November 2013
“Director(s)”	directors of the Company or any one of them
“Distribution Agreement”	the supply and exclusive distribution agreement entered into among the Company, PerMed and Medtronic dated 14 October 2012
“Group”	means the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Lifetech (Shenzhen)”	Lifetech Scientific (Shenzhen) Co., Ltd., a wholly-owned subsidiary of the Company duly organised under the laws of PRC and having its principal place of business in Shenzhen
“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 recommendation to the Independent Shareholders in respect of the Second Supplemental Distribution Agreement
“Independent Shareholders”	the shareholders of the Company who are not required to abstain from voting at the extraordinary general meeting in relation to the Second Supplemental Distribution Agreement under the Listing Rules
“Investment Agreement”	the investment agreement entered into between Medtronic and the Company dated 14 October 2012
“Medtronic”	Medtronic, Inc., a company incorporated under the laws of Minnesota on 23 April 1957, the shares of which are listed on the New York Stock Exchange
“PerMed”	Beijing PerMed Biomedical Engineering Co., Ltd., a wholly-owned subsidiary of the Company established under the laws of the PRC and having its principal place of business in Beijing

“PRC” or “China”	the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong Special Administrative Region, Taiwan and Macau Special Administrative Region
“Products”	means the goods and products PerMed will sell to Medtronic and that Medtronic will purchase from PerMed under the Existing Distribution Agreements, which as of the effective date of the Existing Distribution Agreements, include all current and future heart valve products developed by, manufactured by, licensed to, owned by or otherwise available to PerMed, the Company or either of their Affiliates and may include any additional products that the parties to the Existing Distribution Agreements agree for Medtronic to distribute upon exercising the right of first negotiation pursuant to the Existing Distribution Agreements
“Second Supplemental Distribution Agreement”	the second supplemental agreement to the supply and exclusive distribution agreement dated 13 June 2014 and entered into among the Company, PerMed, Lifetech (Shenzhen) and Medtronic to appoint Medtronic as the distributor of Lifetech (Shenzhen) for the Supplemental Products
“Second Supplemental Services Agreement”	the services agreement dated 24 January 2014 entered into among the Company, Lifetech (Shenzhen) and Medtronic for the provision of certain services by Medtronic to the Company in relation to supplemental medical device products
“Shareholders”	the shareholders of the Company
“Supplemental Accessory Products”	means all current and future accessory Products developed by, manufactured by, licensed to, owned by or otherwise available to the Company, or Lifetech (Shenzhen) or PerMed or its Affiliates. As of the date of execution of the Second Supplemental Distribution Agreement, the Supplemental Accessory Products include those accessory Products set forth under the Second Supplemental Distribution Agreement

“Supplemental Effective Date”	means the date on which the Second Supplemental Distribution Agreement receives approval of the Independent Shareholders pursuant to the Listing Rules
“Supplemental Occluder Products”	means all current and future occluder Products developed by, manufactured by, licensed to, owned by or otherwise available to the Company, or Lifetech (Shenzhen) or PerMed or its Affiliates. As of the date of execution of the Second Supplemental Distribution Agreement, the Supplemental Occluder Products include those occluder Products set forth under the Second Supplemental Distribution Agreement
“Supplemental Products”	means the Supplemental Accessory Products and the Supplemental Occluder Products collectively
“USD”	means the lawful currency of the United States of America

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

Hong Kong, 15 June 2014

As at the date of this announcement, the executive directors of the Company are Mr. XIE Yuehui and Mr. ZHAO Yiwei Michael; the non-executive directors of the Company are Mr. WU Jianhui, Mr. MARTHA Geoffrey Straub, Dr. LIDDICOAT John Randall and Mr. JIANG Feng; and the independent non-executive directors of the Company are Mr. LIANG Hsien Tse Joseph, Mr. ZHOU Gengshen and Mr. ZHOU Luming.