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## **LifeTech Scientific Corporation**

**先健科技公司**

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

**(Stock Code: 1302)**

### **CLARIFICATION ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2013**

Reference is made to the annual report (the “**Annual Report**”) of LifeTech Scientific Corporation (the “**Company**”) for the year ended 31 December 2013 published on the HKExnews website on 10 April 2014. Unless otherwise defined, capitalised terms used in this announcement have the same meanings as defined in the Annual Report and the circular of the Company dated 6 January 2013 (the “**Circular**”).

Further to the information disclosed in the Annual Report, the Company wishes to provide shareholders of the Company (the “**Shareholders**”) and the public with the following supplementary information.

#### **Deed of Non-Competition**

In order to restrict competition activities with the Company, Mr. Xie Yuehui, Mr. Wu Jianhui, Xianjian Advanced Technology Limited and GE Asia Pacific Investments Ltd. (collectively, the “**Covenantors**”) entered into a deed of non-competition in favour of the Company on 22 October 2011 (the “**Deed**”). The undertakings and covenants stipulated under the Deed cover any business which involves the business of the Group as described in the Prospectus and any other business from time to time conducted by any member of the Group in Hong Kong, the People’s Republic of China and such other parts of the world where by any of the Group carries on business from time to time.

The Company wishes to further disclose that the Covenantors provided written confirmation to the board of directors of the Company (the “**Directors**”) on 21 March 2014 (the “**Confirmation**”) confirming that they have duly complied with the

non-competition undertakings in the Deed for the year ended 31 December 2013. Upon receiving the Confirmation, the independent non-executive directors of the Company (the “INEDs”) had reviewed the same as part of the annual review process. In determining whether the Covenantors had fully complied with the non-competition undertakings in 2013 for the annual assessment, the INEDs noted that (a) the Covenantors declared that they had fully complied with the non-competition undertakings in the Deed for the financial year ended 31 December 2013, (b) no new competing business was reported by the Covenantors during the year of 2013, and (c) there was no particular situation rendering the full compliance of the Non-competition Undertakings being questionable. In view of the above, the INEDs confirmed that all of the non-competition undertakings in the Deed were complied with by the Covenantors for the year ended 31 December 2013.

### **Use of proceeds from the subscription of the First Tranche Convertible Bonds by Medtronic**

Reference is made to the announcements of the Company dated 15 October 2012, 6 January 2013 and 30 January 2013 and the Circular in relation to the subscription of the First Tranche Convertible Notes by Medtronic. The issue and subscription of the First Tranche Convertible Notes took place on 30 January 2013 (i.e. the First Tranche Completion Date) and the net proceeds from the subscription were approximately HK\$146,600,000. The Company wishes to further disclose that as at 30 January 2014 (being the end of one year from the First Tranche Completion Date), approximately HK\$62,300,000 of the net proceeds have been used in the manner described below:

Uses of proceeds	Details of Specific Plans	Planned use	Planned use	Actual use	% of proceeds used (as at 30 January 2014)
		of proceeds (as at 30 January 2014, in HKD millions)	of proceeds (as at 30 January 2015, in HKD millions)	of proceeds (as at 30 January 2014, in HKD millions)	
1. Internal system upgrade	Establish and promote a culture of quality which permeates to all levels of the Company; improve the quality management system of the Company and purchase appropriate equipment for system upgrade	18.0	22.0	18.7	30.0%

Uses of proceeds	Details of Specific Plans	Planned use of proceeds (as at 30 January 2014, in HKD millions)	Planned use of proceeds (as at 30 January 2015, in HKD millions)	Actual use of proceeds (as at 30 January 2014, in HKD millions)	% of proceeds used (as at 30 January 2014)
	Establish and promote a culture of compliance which permeates to all levels of the Company and recruit compliance and internal audit talents	5.0	10.0	5.2	8.3%
	Establish a sound management system, including an enterprise resource planning system	5.0	8.0	5.2	8.3%
2. Expansion of the production capability of PerMed and improvement of the operation level of PerMed	Recruit more workers at the production facilities and conduct training	3.0	4.0	1.8	2.9%
	Improve the quality management system of PerMed	3.0	4.0	9.4	15.1%
	Purchase equipment for conducting manufacturing and operational activities and upgrade production facilities	9.0	11.0	4.3	6.9%
	Recruit management talents	2.0	2.0	2.1	3.5%
3. Expansion into key international markets with current and pipeline products	Expand the business of the Company in the existing markets, including China, India, Europe, including the recruitment of more sales talents, attending exhibitions, conducting training in respect of the Company's products, etc.	15.0	20.0	15.6	25.0%
<b>Total</b>		<b>60.0</b>	<b>81.0</b>	<b>62.3</b>	<b>100%</b>

From the above, it can be seen that the net proceeds from the subscription of the First Tranche Convertible Notes have been mostly applied to their intended uses for the period from the First Tranche Completion Date until 30 January 2014. However, the net proceeds applied to the expansion of the production capability of PerMed and improvement of the operation level of PerMed as at 30 January 2014 are less than expected primarily due to the postponement of production and sales plan of PerMed products. The Company focused on enhancing and improving the quality management system of PerMed and as a result, the net proceeds were primarily spent on improving quality management, while the proceeds applied for recruiting more workers at the production facilities, conducting training and purchasing equipment were temporarily less than planned. The Directors will closely monitor the application of the proceeds and keep the Shareholders informed of the latest developments.

The above clarification does not affect other information contained in the Annual Report and save as disclosed in this announcement, the remaining contents of the Annual Report remain unchanged.

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

Hong Kong, 31 July 2014

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