

LifeTech Scientific Corporation

先 健 科 技 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 08122



2011

Third Quarterly Report

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors (the “Director(s)”) of LifeTech Scientific Corporation (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM 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 announcement 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 announcement misleading.

HIGHLIGHTS

- Turnover for the nine months ended 30 September 2011 was approximately RMB 101,056,000, representing an increase of approximately 39.6% as compared with the corresponding period in 2010.
- Profit attributable to the owner of the Company for the nine months ended 30 September 2011 was approximately RMB 12,357,000, representing an increase of approximately 369.7% as compared with the corresponding period in 2010.

UNAUDITED THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2011

The board of Directors (the "Board") of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months and the nine months ended 30 September 2011 together with the unaudited comparative figures for the respective corresponding period in 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2010 <i>(Unaudited)</i> RMB'000	2011 <i>(Unaudited)</i> RMB'000	2010 <i>(Unaudited)</i> RMB'000	2011 <i>(Unaudited)</i> RMB'000
Revenue	3	25,122	32,433	72,410	101,056
Cost of the sales		(5,574)	(5,729)	(15,643)	(18,407)
Gross profit		19,548	26,704	56,767	82,649
Other income and other gains and losses	4	1,697	143	1,915	2,010
Selling and distribution expenses		(5,536)	(8,450)	(13,835)	(22,477)
Administration expense		(4,478)	(6,416)	(11,457)	(23,068)
Research and development expenses		(4,657)	(6,352)	(11,442)	(15,156)
Offering expenses		—	(4,214)	—	(9,188)
Profit before tax and change in fair value of convertible redeemable preferred shares		6,574	1,415	21,948	14,771
Change in fair value of convertible redeemable preferred shares		(4,001)	—	(15,540)	3,288
Profit before tax	5	2,573	1,415	6,408	18,059
Income tax expense	6	(908)	(1,072)	(3,640)	(5,014)
Profit for the period		1,665	343	2,768	13,045

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

Notes	Three months ended		Nine months ended	
	30 September		30 September	
	2010 (Unaudited) RMB'000	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Other comprehensive (expense) income:				
Exchange differences arising on translating foreign operation	—	(20)	(102)	55
Total comprehensive income for the period	1,665	323	2,666	13,100
Profit (loss) for the year/period attributable to:				
Owner of the Company	1,713	420	2,631	12,357
Non-controlling interests	(48)	(77)	137	688
	1,665	343	2,768	13,045
Total comprehensive (expense) income attributable to:				
Owner of the Company	1,713	400	2,529	12,412
Non-controlling interests	(48)	(77)	137	688
	1,665	323	2,666	13,100
Earnings per Share				
– Basic (RMB)	7	0.007	0.001	0.035
– Diluted (RMB)	7	0.007	0.001	0.019

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Statutory			Accumulated			Non-controlling interests			Total Equity
	Share capital-common shares RMB'000	Share premium RMB'000	Translation reserve RMB'000	Surplus reserve RMB'000	Capital reserve RMB'000	Contribution reserves RMB'000	(Loss) profit RMB'000	Total RMB'000	RMB'000	RMB'000
At January 1, 2010	3	—	26	8,958	(421)	32,531	(33,473)	7,624	3,393	11,017
(Loss) Profit for the period	—	—	—	—	—	—	2,631	2,631	137	2,768
Other comprehensive (expense) income for the period	—	—	(102)	—	—	—	—	(102)	—	(102)
Total comprehensive (expense) income for the period	—	—	(102)	—	—	—	2,631	2,529	137	2,666
Capital contribution from a minority interest	—	—	—	—	—	—	—	—	40	40
At September 30, 2010	3	—	(76)	8,958	(421)	32,531	(30,842)	10,153	3,570	13,723
At January 1, 2011	3	—	(38)	11,934	(421)	32,531	(44,220)	(211)	3,288	3,077
Profit for the period	—	—	—	—	—	—	12,357	12,357	688	13,045
Other comprehensive (expense) income for the period	—	—	55	—	—	—	—	55	—	55
Total comprehensive (expense) income for the period	—	—	55	—	—	—	12,357	12,412	688	13,100
Issuance of shares	—	13,993	—	—	—	—	—	13,993	—	13,993
Conversion of convertible redeemable preferred shares	2	117,154	—	—	—	—	—	117,156	—	117,156
Acquisition of non-controlling interests	—	—	—	—	122	—	—	122	(272)	(150)
Dividends paid to common shareholders	—	(20,000)	—	—	—	—	—	(20,000)	—	(20,000)
At September 30, 2011	5	111,147	17	11,934	(299)	32,531	(31,863)	123,472	3,704	127,176

NOTES TO THE UNAUDITED CONSOLIDATED QUARTERLY FINANCIAL REPORT

1. BACKGROUND OF THE COMPANY

The Company was incorporated in the Cayman Islands on August 17, 2006 under the Cayman Islands Companies Law as an exempted company with limited liability. The registered office of the Company is PO Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands. We have registered a place of business in Hong Kong at 12th Floor, The Lee Gardens, 33 Hysan Avenue, Causeway Bay, Hong Kong and have been registered as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance. The address of the Group's principal place of business is located at Floor 1-3, Cybio Electronic Building, Langshan 2nd Street, North Area of High-tech Park, Nanshan District, Shenzhen, P. R. China.

The Company is an investment holding company. The principal activities of the Group are development, manufacture and marketing advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders.

2. BASIS OF PREPARATION

The unaudited condensed financial statements of the Group for the nine months ended 30 September 2011 have been prepared in accordance with accounting principles in conformity with the International Financial Reporting Standards ("IFRSs") and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed quarterly financial statements have been prepared under historical cost basis except for certain financial instruments, which are measured at fair values. The accounting policies adopted are consistent with those applied in preparing the Accountants' Report set out in Appendix I of the Prospectus. Unless otherwise defined, terms used herein shall have the same meaning as those defined in the Prospectus.

3. REVENUE

	Three months ended		Nine months ended	
	30 September		30 September	
	2010	2011	2010	2011
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Occluders	15,646	18,021	42,906	53,926
Vena cava filters	3,609	5,905	11,776	18,972
Stent grafts	1,823	2,892	6,618	12,116
Others	4,044	5,615	11,110	16,042
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	25,122	32,433	72,410	101,056
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NOTES TO THE UNAUDITED CONSOLIDATED QUARTERLY FINANCIAL REPORT (continued)

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Three months ended		Nine months ended	
	30 September		30 September	
	2010 (Unaudited) RMB'000	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Government grants	200	—	200	816
Rental income	187	137	460	571
Interest income on bank deposits	133	74	290	246
Realised gain on financial assets	—	205	—	246
Net foreign exchange gain/(loss)	965	(523)	1417	(249)
Others	212	250	(452)	380
Total	1,697	143	1,915	2,010

5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Three months ended		Nine months ended	
	30 September		30 September	
	2010 (Unaudited) RMB'000	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Depreciation of property, plant and equipment	398	311	1,036	1,064
Staff costs, including Directors' remuneration				
Salaries, wages and other benefits	4,032	7,272	10,719	19,316
Share-based compensation expense	—	—	—	5,118
Retirement benefits scheme contributions	215	633	596	1,249
	4,645	8,216	12,351	26,747

NOTES TO THE UNAUDITED CONSOLIDATED QUARTERLY FINANCIAL REPORT (continued)

6. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	30 September		30 September	
	2010 (Unaudited) RMB'000	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Current tax				
Enterprise Income Tax	1,045	1,227	4,677	5,338
Deferred tax	(137)	(155)	(1,037)	(324)
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	908	1,072	3,640	5,014
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The Company is tax exempted under the laws of the Cayman Islands. New Centre International is subject to Hong Kong profits tax rate of 16.5% on profits earned in Hong Kong. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except that a major operating subsidiary in the PRC was qualified as High and New Technology Enterprises since 2009 and is entitled to a preferential income tax rate of 15% for 3 consecutive years from 2009 onwards.

For other PRC subsidiaries which are located in Special Economic Zone of the PRC, their applicable income tax rates are 20%, 22%, 24% and 25% for the year ended/ending 31 December 2009, 2010, 2011 and 2012 respectively.

The New EIT Law and its implementing rules also permit qualified small-scale enterprise with low profit margins to enjoy a reduced enterprise income tax rate of 20%. One of the subsidiaries Shenzhen Biological, was entitled to a reduced enterprise income tax rate of 20% as a small-scale enterprise with low profit margins in 2009 and 2010.

The applicable income tax rate of Lifetech India is 30.9% on its taxable profits.

NOTES TO THE UNAUDITED CONSOLIDATED QUARTERLY FINANCIAL REPORT (continued)

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculations of basic earnings per share for the three months and nine months ended 30 September 2011 are based on the unaudited consolidated profit of approximately RMB0.42 million and RMB12.4 million attributable to the owner of the Company for the three months and nine months ended 30 September 2011 respectively (three months and nine months ended 30 September 2010 : approximately RMB1.7 million and RMB2.6 million respectively) and the weighted average number of 407,500,000 and 355,391,740 shares in issue for the three months and nine months ended 30 September 2011 (weighted average number of share in issue for the three months and nine months ended 30 September 2010: 240,249,248 shares) on the assumption that they have been in issue throughout the periods.

(b) Diluted earnings per share

The diluted earnings per share for the nine months ended 30 September 2011 is based on the unaudited consolidated profit of approximately RMB12.4 million, adding back effect of changes in fair value of convertible redeemable preferred shares of RMB3.3 million and exchange gain of RMB1.2 million attributable to the owner of the Company (weighted average number of share in issue for the nine months ended 30 September 2011: 403,590,615 shares).

For the three months and nine months ended 30 September 2010, the diluted earnings per share were equivalent to the basic earnings per share for the same periods due to anti-dilutive effect.

Diluted earnings per share for the three months ended 30 September 2011 is not applicable as no potential dilutive events existed during the period.

8. DIVIDEND

On July 1, 2011, a dividend of RMB0.27 per share amounting to RMB20,000,000 was declared which was paid to the shareholders on the register of members of the Company as at April 1, 2011 (for the nine months ended September 30, 2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a developer, manufacturer and marketer of advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders. We are the second largest provider worldwide of congenital heart defect occluders with approximately 19% market share during 2010 in terms of procedures conducted, according to a report of BioMedGPS commissioned by us. The Group believes it offers one of the broadest product ranges of congenital heart defect occluders through our three generations of occluder series HeartR, Cera and CeraFlex. We also offer six other types of minimally invasive implants and devices, including its proprietary Aegis Vena cava filters, Ankura vascular stent grafts, Green Arrow/Blue Arrow/Red Arrow balloon catheters, Cera/CeraFlex, Cera vascular plugs, Supporter coronary stents and PerMed bovine heart valve. In addition, the Group manufactures and sells nine types of associated delivery and supporting devices, including FuStar steerable introducer. The Group currently sells its products to distributors located in 26 countries across Asia, Europe, South America, North America and Africa reaching over 1,450 hospitals. The Group strategically focuses on densely populated fast growing emerging markets including China, India, Russia and Brazil (the BRIC countries) and also intends to increase penetration in larger and more mature markets in Europe and the United States.

FINANCIAL REVIEW

The Group's revenue increased RMB28.6 million compared the nine months ended 30 September 2011 with the corresponding period in 2010, representing an increase of 39.6%. The increase was mainly due to growth in sales quantities.

The gross profit of the Group for the nine months ended 30 September 2011 increased 45.6% to approximately RMB82.6 million compared to approximately RMB56.8 million for the corresponding period in 2010, the gross profit margin increased 3.4% from 78.4% last year to 81.8% this year. The improvement in gross profit margin was primarily due to improvement in manufacturing process and achieving economies of scale.

Increase in selling and distribution expenses was mainly due to growth of revenue and expansion of sales force and network. Increase in administration expenses was mainly due to the one-off share based compensation to senior management of the Group. Research and Development expenses increased from RMB11.4 million to RMB15.2 million which was attributed to expansion of Research and Development professional team, as a percentage of revenue, Research and Development expenses was maintained at a stable level around 15.0%. As a result of above, the profit before tax and change in fair value of convertible redeemable preferred shares, recorded at RMB14.8 million for the nine months ended at 30 September 2011, representing a decrease of approximately RMB7.2 million mainly due to the offering expense incurred during the nine months ended 30 September 2011. Taking into account the impact of change in fair value of convertible redeemable preferred shares, the profit attributable to the owner of the Company increased to approximately RMB12.4 million for the nine months ended 30 September 2011, representing an increase of approximately RMB10 million compared approximately RMB2.6 million with the corresponding period in 2010.

BUSINESS OUTLOOK

The shares of the Company were listed on GEM on 10 November 2011(the "listing date"). As disclosed in the prospectus of the Company dated 28 October 2011 (the "prospectus"), our objective is to further strengthen our global brand for advanced medical devices for cardiovascular and peripheral vascular diseases and disorders and become an industry leading company.

The Group's quarterly revenue and operating results have fluctuated in the past and the management expects such seasonality may continue to fluctuate depending upon numerous factors related to seasonality both in Chinese market and International market. In China, the Group usually has decreased sales of its products in the first quarter due to Chinese New Year holiday. The congenital heart disease products such as occluders typically have higher sales in the second quarters and third quarters, sales of the peripheral products typically increase in the fourth quarters. The international sales has been more fluctuant historically, but usually record high sales in the fourth quarters, during which period the Group usually receives more orders from its international distributors, resulting in higher international sales in the fourth quarter for both congenital heart disease products and peripheral products.

The Group will continually expand our manufacturing facilities based on a number of factors, including but not limited to historical growth, new products and the Director's views of the business development and market growth.

The Group will continually spend on research and development expenses in terms of percentage over sales similar to that incurred during the Track Record Period, to enhance our research and development of current pipeline products and expand into complementary product offerings that are not yet in our pipeline.

The Group will expand our sales, marketing and distribution activities in key emerging markets (BRIC countries) and key international markets (Europe and the United States), including expanding and enhancing our sales, marketing and distribution network.

According to a report of BioMedGPS, market growth for interventional devices used in CHD, VCF, AAA, PFO and LAA, will be highest in the BRIC countries, followed by China assessed on its own, and further followed by the EU countries. Sales of interventional products in the rapidly developing BRIC region totaled US\$303.6 million in 2010 and are projected to US\$788.5 million in 2015, representing a CAGR of 21.0%. In China, sales of interventional products totaled US\$161.4 million in 2010 and are forecast to reach US\$394.9 million in 2015, representing a CAGR of 19.6%. In the EU, total sales of interventional products amounted to US\$385.4 million in 2010 and are projected to reach US\$677.4 million in 2015, representing a CAGR of 11.9%. The Selected Market interventional device forecast takes into account the mature but growing US market is projected to be 12.0% CAGR over this same five-year period, with total sales of approximately US\$1.5 billion in 2010 rising to an estimated US\$2.7 billion in 2015. The directors expect the Group will benefit from this exciting growth industry.

USE OF PROCEEDS GENERATED FROM LISTING ON GEM

The shares of the Company were listed on 10 November 2011. Accordingly, no proceeds raised from the issuing of the shares were applied up to 30 September 2011.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

The shares of the Company were listed on GEM on 10 November 2011. As of 30 September 2011, the Company's shares had not been listed on the Stock Exchange. As such, Divisions 7 and 8 of Part XV and section 352 of the Securities and Futures Ordinance and the Model Code were not applicable to the Company and its Directors, supervisors and chief executives.

As at 10 November 2011, so far as it is known to the Directors, the Directors and the chief executive of the Company had the following interests and short positions in the shares, underlying shares or the debentures of the Company or any of its associated corporations within the meaning of part XV of the Securities and Futures Ordinance (the "SFO"), which would have to be notified to the Company and the Stock Exchange pursuant to the provision of Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions of which they were taken or deemed to have under such provisions of the SFO) and/or required to be entered in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules:

Long position in shares of the Company:

Name of Director	Nature of interest	Numbers of Shares	Approximate percentage of shareholding⁽⁶⁾
Mr. Gabriel Li ⁽¹⁾	Founder of The Li 2007 Family Trust	115,345,990	23.07%
Mr. Xie Yuehui ⁽²⁾⁽⁵⁾	Interest of a controlled corporation	101,540,962	20.31%
Mr. Wu Jianhui ⁽³⁾⁽⁵⁾	Interest of a controlled corporation	87,883,332	17.58%
Mr. Zhao Yiwei Michael ⁽⁴⁾	Interest of a controlled corporation	13,583,333	2.72%
Mr. Zeng Min Frank	Beneficial owner	18,512,143	3.70%

Notes:

- (1) Among these 115,345,990 Shares, 3,462,592 Shares are registered in the name of Orchid Asia Co-Investment Limited, which is controlled by YM Investment Limited. The remaining 111,883,398 Shares are registered in the name of Orchid Asia III, L.P., which is indirectly controlled by Orchid Asia Group Limited, which is in turn controlled by YM Investment Limited. The entire issued share capital of YM Investment Limited is ultimately held by The Li 2007 Family Trust, which is a BVI discretionary trust established by Ms. Lam Lai Ming, spouse of Mr. Li Gabriel as settlor and ManageCorp Limited as trustee on January 22, 2008. The beneficiaries of The Li 2007 Family Trust include family members of Ms. Lam Lai Ming and Mr. Li Gabriel.
- (2) Mr. Xie owns the entire issued share capital of Xianjian Technology and is deemed under the SFO to be interested in the 101,540,962 Shares held by Xianjian Technology.
- (3) Mr. Wu owns the entire issued share capital of GE Asia Pacific and is deemed under the SFO to be interested in the 87,883,332 Shares held by GE Asia Pacific.
- (4) Mr. Zhao owns the entire issued share capital of St. Christopher and is deemed under the SFO to be interested in the 13,583,333 Shares held by St. Christopher.
- (5) Being the Controlling Shareholders and have been acting in concert with respect to the Company during the Track Record Period.
- (6) Assuming that the Over-allotment Option (as defined in the prospectus of the Company dated October 31, 2011) has not been exercised.

Save as disclosed above, as at 10 November 2011, none of the Directors nor the chief executives of the Company had any interests or short positions in any shares, underlying shares and/or debentures 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 interest and/or short positions which were taken or deemed to have under such provisions of the SFO), or which were recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which would have to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The shares of the Company were listed on GEM on 10 November 2011. As of 30 September 2011, the Company's shares had not been listed on the Stock Exchange. As such, Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance were not applicable to the Company and its substantial shareholders

As at 10 November 2011, so far as it is known to the Directors, the persons (other than the Directors or chief executive of the Company) with interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

Long position in shares of the Company:

Name of Director	Nature of interest	Numbers of Shares	Approximate percentage of shareholding⁽⁶⁾
Orchid Asia ⁽¹⁾	Beneficial owner	111,883,398	22.38%
OAIII Holdings, L.P. ⁽¹⁾	Interest of a controlled corporation	111,883,398	22.38%
Orchid Asia Group Management Limited ⁽¹⁾	Interest of a controlled corporation	111,883,398	22.38%
Orchid Asia Group Limited ⁽¹⁾	Interest of a controlled corporation	111,883,398	22.38%
YM Investment Limited ⁽²⁾	Interest of a controlled corporation	115,345,990	23.07%
ManageCorp Limited ⁽²⁾	Trustee	115,345,990	23.07%
Ms. Lam Lai Ming ⁽²⁾	Founder of The Li 2007 Family Trust	115,345,990	23.07%
Xianjian Technology ^{(3) (5)}	Beneficial owner	101,540,962	20.31%
GE Asia Pacific ^{(4) (5)}	Beneficial owner	87,883,332	17.58%

Notes:

- (1) Orchid Asia III, L.P. is controlled by OAll Holdings, L.P., which is in turn controlled by Orchid Asia Group Management Limited, which is in turn controlled by Orchid Asia Group Limited.
- (2) Among these 115,345,990 Shares, 3,462,592 Shares are registered in the name of Orchid Asia Co-Investment Limited, which is controlled by YM Investment Limited. The remaining 111,883,398 Shares are registered in the name of Orchid Asia III, L.P., which is indirectly controlled by Orchid Asia Group Limited, which is in turn controlled by YM Investment Limited. The entire issued share capital of YM Investment Limited is ultimately held by The Li 2007 Family Trust, which is a BVI discretionary trust established by Ms. Lam Lai Ming, spouse of Mr. Li Gabriel as settlor and ManageCorp Limited as trustee on January 22, 2008. The beneficiaries of The Li 2007 Family Trust include family members of Ms. Lam Lai Ming and Mr. Li Gabriel.
- (3) Mr. Xie owns the entire issued share capital of Xianjian Technology and is deemed under the SFO to be interested in the 101,540,962 Shares held by Xianjian Technology.
- (4) Mr. Wu owns the entire issued share capital of GE Asia Pacific and is deemed under the SFO to be interested in the 87,883,332 Shares held by GE Asia Pacific.
- (5) Being the Controlling Shareholders and have been acting in concert with respect to the Company during the Track Record Period.
- (6) Assuming that the Over-allotment Option (as defined in the prospectus of the Company dated October 31, 2011) has not been exercised.

Save as disclosed above, as at 10 November 2011, so far as it is known to the Directors, there was no other person (other than the Directors or chief executive of the Company) with interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under section 336 of the SFO or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the reporting period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in the Company or any other body corporate.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

During the nine months ended 30 September 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any share of the Company.

INTERESTS OF THE COMPLIANCE ADVISER

As at 30 September 2011, as notified by the Company's compliance adviser, Piper Jaffray Asia Limited ("Compliance Adviser"), neither the Compliance Adviser nor its directors, employees or associates had any interests as notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules and all Directors and controlling shareholders and their respective associates as referred to in Rule 11.04 of the GEM Listing Rules.

DIRECTOR'S INTERESTS IN COMPETING INTERESTS

As at the date of this report, none of the Directors, the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interest in a business which causes or may cause a significant competition with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding the directors' securities transactions in securities of the Company. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard of dealings as set out in the adopted code of conduct regarding directors' securities transactions.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with all the code provisions as set out in Appendix 15 to the GEM Listing Rules from the date of Listing up to 30 September 2011.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") on 22 October 2011 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee consists of three members, the majority of whom are independent non-executive Directors, namely Mr. Liang Hsie-Tse Joseph, a Director with the appropriate professional qualifications who serves as the chairman of the audit committee, Mr. Wu Jianhui and Mr. Zhou Gengshen.

The Group's unaudited results for the nine months ended 30 September 2011 have been reviewed by the Audit Committee in accordance with Rule 5.30 of the GEM Listing Rules. The Audit Committee was of the opinion that such results complied with the applicable accounting standards and that adequate disclosures had been made.