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Biostime International Holdings Limited

合生元國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1112)

ADOPTION OF SHARE AWARD SCHEME

The board of directors of the Company is pleased to announce that it has approved the adoption of the Scheme on November 28, 2011. The purposes of the Scheme are to recognize the contributions of certain Directors, senior management and employees of the Company and its Subsidiaries and to retain and motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.

The Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules.

The board of directors of the Company is pleased to announce that it has approved the adoption of the Scheme on November 28, 2011. A summary of the principal terms of the Scheme is set out in this announcement.

Purpose of the Scheme

The purpose of the Scheme is to recognize the contributions of certain Directors, senior management and employees of the Company and its Subsidiaries and to retain and motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.

Eligibility

Under the rules of the Scheme, the Eligible Person includes any Director (whether executive or non-executive), senior management and employee of the Company or its

Subsidiaries (including but not limited to office managers, regional directors, senior managers, office directors, general managers and chief executive officers), however, person as listed below should be excluded: (i) any seconded employee or part-time employee or non-full time employee of the Group; (ii) independent non-executive directors of the Company; (iii) any employee who has given or been given notice terminating his office or directorship as the case may be on the Grant Date; and (iv) any other person that the Board may determine from time to time.

Acquisition of Shares by Trustee

The Company shall not issue any Shares to satisfy Awards granted under the Scheme. The Company shall provide sufficient funds by way of contribution (as the Board may determine) to enable the Trustee to (a) purchase sufficient Shares on the market to satisfy Awards that Vest; and (b) pay, settle and discharge all transaction levy, brokerage, stamp duty, tax or expenses of whatsoever nature levied on and payable on the part of the Trustee in respect of any Vesting or transfer of Shares pursuant to the Scheme.

At the same time as the Company provides funds to the Trustee to acquire Shares in the market, the Company may provide a written request to the Trustee including the expected acquisition date and price of the Shares. The Trustee is not obliged to acquire the Shares at the specified price but will, subject to the market conditions, use its reasonable endeavors to acquire the Shares at the specified price or below.

Grant of Awards

Subject to the terms of the Scheme and the Listing Rules, the Board may at any time make an Offer to any Eligible Person it may in its absolute discretion select to accept the grant of an Award over such number of Shares as it may determine. The Offer shall specify the terms of the Award. Such terms may at the discretion of the Board include, among other things, (i) the Vesting Period; (ii) the terms on which the Award shall Vest including any conditions relating to the performance of the Eligible Person and/or the Group or any member of the Group during the Vesting Period; (iii) the terms on which any income, dividends or other distributions arising in relation to the Shares over which the Award is granted shall be paid to, or held for the benefit of, the Eligible Person including any terms providing for the reinvestment of any such income, dividends or other distributions in Shares; and (iv) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.

An Offer shall be made to an Eligible Person by a Grant Letter in such form as the Board may from time to time determine requiring the Eligible Person to undertake to hold the Award on the terms on which it is to be granted and to be bound by the provisions of the Scheme and shall remain open for acceptance for such time to be determined by the Board.

An Offer shall be deemed to be accepted when the Company receives from the Participant a duplicate of the Grant Letter signed by the Participant.

Vesting

Subject to relevant rules of the Scheme and any specific terms applicable to the Award that were determined by the Board at the Grant Date and the receipt of the Vesting Notice, an Award shall Vest on the Vesting Date when the Trustee exercises its power under the Trust Deed to appoint and allocate in favor of the Participant all or such proportion of the Shares subject to the Award and in relation to any income, dividends or other distributions relating to such Shares as its terms shall provide.

Rights of Participants before Vesting

Except as provided in any terms determined by the Board at the Grant Date, a Participant will have no rights in respect of any Shares subject to an Award (including any income, dividends, other distributions or voting rights) until the Shares are transferred to him pursuant to the Scheme.

Reorganization of Capital Structure

In the event of an alteration in the capital structure of the Company whilst any Award remains unvested by way of capitalization of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, or reduction of the share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party), the Board may adjust the number or nominal amount of Shares subject to an Award in such manner as it thinks fit, provided that:-

- (a) any such adjustments give a Participant the same proportion of the equity capital of the Company as that to which that Participant was previously entitled; and
- (b) notwithstanding sub-paragraph (a) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalization issue, should be based on a scrip factor similar to the one used in accounting standards in adjusting the earnings per share figures.

In respect of any such adjustments, an independent financial advisor or the auditors of the Company must confirm to the Board in writing that the adjustments are in their opinion fair and reasonable.

Black-out Period

No Offer shall be made to, nor shall any Offer be capable of acceptance by, any Eligible Person at a time when the Eligible Person would or might be prohibited from dealing in the Shares by the Listing Rules or by any other applicable rules, regulations or law.

A grant of Award may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published on the Stock Exchange's website or otherwise in accordance with the relevant provisions of the Listing Rules. In particular, an Award may not be granted during the period:-

- (a) that is 60 days immediately preceding the date of the announcement of annual results and ending on the date of the results announcement. If the period from the end of the financial year up to date of the results announcement is shorter than 60 days, then that shorter period shall be the period within which no Award shall be granted; and
- (b) that is 30 days immediately preceding the date of the announcement of the quarterly results (if any) and half-year results and ending on the date of the results announcement. If the period from the end of the relevant quarterly or half-year period up to date of the results announcement is shorter than 30 days, then that shorter period shall be the period within which no Award shall be granted.

Lapse of Awards

Unless the Trust Committee determines otherwise, an Award that has not Vested will lapse automatically on the earliest to occur of any of the following:-

- (a) except as permitted by the rules of the Scheme, an Award will lapse if the Participant transfers, assigns, sells, pledges, charges or otherwise disposes of it or the Shares subject to it (or attempts to do so);
- (b) the date on which a Participant ceases to be an Eligible Person, director, employee or consultant of a member of the Group by reason of Cause;
- (c) the date on which a Participant's employment or service terminates for any reason other than by reason of death or Retirement;
- (d) the date on which a Participant gives notice to terminate his employment or service;

- (e) the date on which a Participant:
- i. becomes an officer, director, employee, consultant, adviser, partner of, or a stockholder or other proprietor owning more than a five per cent. interest in, any Competitor; or
 - ii. knowingly performs any act that may confer any competitive benefit or advantage upon any Competitor.

For the purposes of the above, the Trust Committee shall have the right to determine what constitutes Cause, whether the Participant's employment or service has been terminated for Cause, the effective date of such termination for Cause and whether someone is a Competitor, and such determination by the Board shall be final and conclusive.

Size of the Scheme

The Board shall not make any further Award which will result in the number of Shares awarded by the Board under the Scheme would represent in excess of ten per cent. of the issued share capital of the Company as at the Adoption Date. In any event, the unvested Shares held by the Trustee at any time shall be less than five per cent. of the issued share capital of the Company.

The maximum number of Shares which may be awarded to a Participant under the Scheme shall not exceed one per cent. of the issued shares capital of the Company as at the Adoption Date.

Amendment

The Board may amend these rules of the Scheme, including alterations to the terms and conditions of the Scheme which are of a material nature, or any change to the terms of Awards granted. The Scheme so altered must comply with the Listing Rules.

Duration and Termination of the Scheme

Subject to any early termination as may be determined by the Board pursuant to rules of the Scheme, the Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date, after which period no further Awards shall be offered or granted but the provisions of the Scheme shall remain in full force and effect in all other respects.

The Company by ordinary resolution in general meeting or the Board may at any time terminate the Scheme and in such event no further Awards may be granted but in all other respects the provisions of the Scheme shall remain in full force and effect in

respect of Awards which are granted during the life of the Scheme and which remain unvested immediately prior to the termination of the Scheme.

Share Awards to Connected Persons

Awards may be granted to Eligible Person who are connected persons (as defined in the Listing Rules) of the Group, subject to compliance with the Listing Rules. The grant of an Award under this Scheme to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates shall be subject to the prior approval of the independent non-executive directors (or for the avoidance of any doubt, a committee nominated by the Board).

Cessation of Employment or Service due to Death or Retirement

If a Participant dies before the intended Vesting Date, the Award shall lapse automatically, unless within ten Business Days from the date on which the Company becomes aware of the Participant's death, the Trust Committee shall at its sole discretion extend the date for Vesting for a period not greater than six months from the date of death.

If a Participant ceases all his employment or service with the Group by reason of Retirement before the intended Vesting Date, the Company shall within ten Business Days from the date of Retirement determine whether the Vesting of the Award will be accelerated.

Other Information

The Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules.

Definitions

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

- “Adoption Date” means the date on which the Scheme is approved by the Board
- “Award” means an award in respect of Shares granted under the rules of the Scheme which takes the form of a contingent right to receive Shares or a conditional allocation of Shares
- “Board” means the board of directors of the Company from time to time or a duly authorized committee or person(s) delegated with the power and authority by the board of directors of the Company to administer the Scheme

- “Business Day” means a day (other than Saturdays, Sundays and public holidays) on which the Stock Exchange is open for trading and on which banks are open for business in Hong Kong
- “Cause” means with respect to a Participant, (i) the commission of an act of theft, embezzlement, fraud, dishonesty, ethical breach or other similar acts or commission of a criminal offence; (ii) a material breach of any agreement or understanding between the Participant and the Company and/or any of its subsidiaries, including any applicable invention assignment, employment, non-competition, confidentiality or other similar agreement; (iii) misrepresentation or omission of any material fact in connection with his employment agreement or service agreement; (iv) a material failure to perform the customary duties as a director, employee or consultant of the Company and/or any of its Subsidiaries, to obey the reasonable directions of a supervisor or supervising body or to abide by the policies or codes of conduct of the Group; or (v) any conduct that is materially adverse to the name, reputation or interests of the Group
- “Company” means Biostime International Holdings Limited, a company incorporated in the Cayman Islands
- “Competitor” means any governmental unit, corporation, partnership, joint venture, trust, individual proprietorship, firm or other enterprise that carries on activities for profit, and shall be deemed to include any affiliates of the aforementioned, that is engaged in or in about to become engaged in any activity of (i) providing products of food and daily necessities for babies and children; (ii) providing service of early childhood education; or (iii) any nature that competes with a product, process, technique, procedure, device or service of the Company, its parent company or any of their respective subsidiaries
- “Directors” means the directors (whether executive or non-executive) of any member of the Group and “Director” means any one of them
- “Eligible Person” means any Director (whether executive or non-executive), senior management and employee of the Company or its Subsidiaries (including but not limited to office managers, regional directors, senior managers, office directors, general managers and chief executive officers), however, person as listed below should be excluded: (i) any seconded employee or part-time employee or non-full time employee of the Group; (ii) independent non-executive directors of the Company; (iii) any employee who has given or been given notice terminating his office or directorship as the case may be on the Grant Date; and (iv) any

	other person that the Board may determine from time to time
“Grant Date”	means the date on which an Award is granted
“Grant Letter”	means the notification to a Participant setting out the terms of an Award
“Group”	shall mean the Company and the Subsidiaries, and <i>member of the Group</i> shall be construed accordingly
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange
“Offer”	means the offer of the grant of an Award
“Participant”	means an Eligible Person who holds a subsisting Award or, where appropriate, his personal representatives or, a Subsidiary of the Company
“Retirement”	means retirement at a Participant’s normal retirement age or at any earlier age with the agreement of the Board
“Scheme”	means the Share Award Scheme of Biostime International Holdings Limited, approved at a meeting of the board of directors of the Company held on November 28, 2011
“Shares”	means ordinary shares of HK\$0.01 each in the share capital of the Company or if there has been a sub-division, reduction, consolidation, reclassification, or reconstruction of the share capital of the Company the shares forming part of the ordinary equity share capital of the Company of such nominal amount as shall result from any such sub-division, reduction, consolidation, reclassification or reconstruction
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited or any successor body thereto
“Subsidiary”	has the meaning given to that term in the Listing Rules
“Trust”	means the trust constituted by the Trust Deed
“Trustee”	means HSBC Trustee (Hong Kong) Limited, or such other person(s) who for the time being is duly appointed to be the trustee (or trustees) of the Trust
“Trust Committee”	means a special committee established by the Board, which is chaired by the chief executive officer of the Company and is delegated with certain power and authority by the Board to administer the Scheme
“Trust Deed”	means a trust deed to be entered into between the Company and the Trustee (as restated, supplemented and amended from time to time), under which the Trust will be established

- “Vest” means the time when the Participant becomes entitled to the transfer of Shares under relevant rules of the Scheme and the terms *Vested* and *Vesting* shall have corresponding meanings
- “Vesting Date” means date on which a Participant’s Award Vests
- “Vesting Notice” means the written notice provided by the Company to the Trustee setting out information relating to those Awards which are about to be Vested
- “Vesting Period” means the period between the Grant Date and the Vesting Date, both inclusive, and in any event, such period shall be more than one year but not longer than ten years

By Order of the Board
Biostime International Holdings Limited
Luo Fei
Chairman

Guangzhou, Guangdong Province, the People’s Republic of China, November 28, 2011

As at the date of this announcement, the executive directors of the Company are Mr. Luo Fei, Dr. Zhang Wenhui, Ms. Kong Qingjuan; the non-executive directors of the Company are Mr. Wu Xiong, Mr. Luo Yun and Mr. Chen Fufang; and the independent non-executive directors of the Company are Dr. Ngai Wai Fung, Mr. Tan Wee Seng and Professor Xiao Baichun.