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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)*

## **DISCLOSEABLE TRANSACTION FRAMEWORK AGREEMENT**

### **THE FRAMEWORK AGREEMENT**

The Board is pleased to announce that on 1 July 2013, the Company, together with its two wholly-owned subsidiaries, namely, Biostime Pharma and Biostime Investment (together with the Company, the “**Framework Agreement Biostime Parties**”), entered into the Framework Agreement with ISM (together with the Framework Agreement Biostime Parties, the “**Parties**”), which sets forth in details the terms and conditions of cooperation between the Group and ISM in the following matters (the “**Proposed Project**”):

- (1) the construction by ISM of an infant formula production and packaging industrial facility (the “**Facility**”) that will be located in ISM’s premises, in order to secure the supply of additional manufacturing capacity, including manufacturing capacity of 15,000 tons of infant formula powder in 2015 and 18,000 tons per year from 2016 for the Group;
- (2) the Company’s participation as ISM’s commercial, equity and financing partner, for the purpose of financing of the Facility, through Share Subscription and Proposed Bond Subscription; and
- (3) the intention of implementation of common research and development actions between the Company and ISM relating to qualitative infant formula.

### **Share Subscription**

Pursuant to the Framework Agreement, Biostime Pharma agreed to subscribe for and ISM agreed to issue the Subscription Shares, representing 20% of the total issued share capital of ISM as enlarged by the issuance of the Subscription Shares at an aggregate subscription price of EUR2,522,925 (approximately HK\$25,466,152.66). The Parties anticipate that the subscription and the issuance of the Subscription Shares will be completed on or before 2 July 2013.

### **Proposed Bond Subscription**

Pursuant to the Framework Agreement, the Group and ISM will enter into the Proposed Bond Subscription Agreement upon satisfaction of the Condition Precedent (as defined below), pursuant to which, ISM will issue, and Biostime Investment will subscribe for, 17,477,075 Bonds, with a nominal value of EUR1 (approximately HK\$10.0939) per Bond, at a subscription price equal to the nominal value of the Bonds.

The calendar of issuance and payment of the Bonds, their term, applicable interest rate, penalties, conditions for repayment and securities related thereto are to be further detailed in the Proposed Bond Subscription Agreement.

Further announcement in relation to the details of the Proposed Bond Subscription Agreement will be made once the same has been entered into between relevant parties.

### **THE MANUFACTURING AGREEMENT**

Pursuant to the Framework Agreement, the Company, together with its three subsidiaries, namely, Biostime Hong Kong, Biostime Pharma and Biostime Investment (together with the Company, the “**Manufacturing Agreement Biostime Parties**”), entered into the Manufacturing Agreement with ISM on 1 July 2013, pursuant to which Manufacturing Agreement Biostime Parties agreed to purchase from ISM and ISM agreed to sell and deliver to Manufacturing Agreement Biostime Parties the Products, being finished infant formula powder, manufactured, packaged, labelled and stored by ISM.

The Directors confirm that the transactions under the Manufacturing Agreement are transactions of a revenue nature in the ordinary and usual course of business of the Group and therefore are not notifiable transactions under Chapter 14 of the Listing Rules pursuant to Rule 14.04(1)(g).

### **LISTING RULES IMPLICATION**

As certain applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the

Share Subscription are over 5% but less than 25%, the Framework Agreement and the relevant transactions contemplated thereunder constitute discloseable transactions for the Company and are subject to the notification and announcement requirements set out in Chapter 14 of the Listing Rules. As at the date of this announcement, the interest rate of the Bonds has not been agreed upon by the relevant parties and the Company expects that such interest rate will not be set at a level which will result in any of the applicable percentage ratios under Rule 14.07 of the Listing Rules exceeding 25%. In the event that any of the applicable percentage ratios under Rule 14.07 of the Listing Rules as determined based on the terms and conditions of the Proposed Bond Subscription Agreements entered into by the relevant parties exceeds 25%, the Company will re-comply with the applicable notification, announcement and shareholders' approval requirements set out in Chapter 14 of the Listing Rules.

## FRAMEWORK AGREEMENT

The Board is pleased to announce that on 1 July 2013, the Company, together with its two wholly-owned subsidiaries, namely, Biostime Pharma and Biostime Investment (together with the Company, the “**Framework Agreement Biostime Parties**”), entered into the Framework Agreement with ISM (together with the Framework Agreement Biostime Parties, the “**Parties**”), which sets forth in details the terms and conditions of cooperation between the Group and ISM in the following matters (the “**Proposed Project**”):

- (1) the construction by ISM of an infant formula production and packaging industrial facility (the “**Facility**”) that will be located in ISM's premises, in order to secure the supply of additional manufacturing capacity, including manufacturing capacity of 15,000 tons of infant formula powder in 2015 and 18,000 tons per year from 2016 onwards for the Group;
- (2) the Company's participation as ISM's commercial, equity and financing partner, for the purpose of financing of the Facility, through Share Subscription and Proposed Bond Subscription; and
- (3) the intention of implementation of common research and development actions between the Company and ISM relating to qualitative infant formula.

### Construction of the Facility

Pursuant to the Framework Agreement, ISM undertakes to use its best effort to complete, at the latest on 1 January 2015, the construction and commissioning of the Facility.

ISM undertakes to immediately notify the Framework Agreement Biostime Parties of (i) any event which is reasonably expected to cause delay in the construction and/or commissioning of the Facility, (ii) any substantial modification of the terms and conditions of the construction agreements in relation to the Facility and (iii) any other event related to the construction and commissioning of the Facility which is reasonably expected to impact ISM's performance of the Framework Agreement and/or any other related agreements.

## **Share Subscription**

Pursuant to the Framework Agreement, Biostime Pharma agreed to subscribe and ISM agreed to issue the Subscription Shares, being 504,585 shares with a nominal value of EUR5 (approximately HK\$50.47) per share in the share capital of ISM and representing 20% of the total issued share capital of ISM as enlarged by the issuance of the Subscription Shares. The Parties anticipate that the subscription and the issuance of the Subscription Shares will be completed on or before 2 July 2013.

The subscription price for the Subscription Shares is EUR5 (approximately HK\$50.47) per Subscription Share, being the nominal value of the Subscription Shares, or an aggregate of EUR2,522,925 (approximately HK\$25,466,152.66), payable by immediately available funds for value by Biostime Pharma to ISM. The subscription price was funded by internal resources of the Group.

In accordance with applicable law, the subscription price was determined as equivalent to the Subscription Shares' nominal value with no premium applicable. Pursuant to the Framework Agreement and the Bylaws, in the event that the Subscription Shares are redeemed by ISM as a result of withdrawal by Biostime Pharma or exclusion of Biostime Pharma by ISM from ISM's share capital, the redemption price of the Subscription Shares shall be equal to the nominal value of the Subscription Shares. The Directors consider that the subscription price for the Subscription Shares is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

It is further specified that according to the Framework Agreement, Biostime Pharma undertakes to hold the Subscription Shares for a minimum period of 15 years subject to (i) any early termination of the Manufacturing Agreement, or (ii) the withdrawal or exclusion of Biostime Pharma from ISM's share capital under certain situations as specified in the Framework Agreement and in accordance with the Bylaws. After the expiration of such 15-year period, Biostime Pharma shall remain as a Non-cooperative Shareholder of ISM as long as the Manufacturing Agreement is in force and effect, unless Framework Agreement Biostime Parties decide to withdraw from ISM pursuant to the Bylaws.

ISM undertakes to use the proceeds from issuance of Subscription Shares exclusively for the purpose of the financing of the Facility.



## Shareholding and Governance of ISM

### *Director appointment*

From when Biostime Pharma first becomes a shareholder of ISM, Framework Agreement Biostime Parties shall be entitled to appoint one director (the “**Biostime Director**”) to be a member of the board of directors of ISM (the “**ISM Board**”) as long as the Manufacturing Agreement (see below section headed “the Manufacturing Agreement”) is in force and for the entire term of the Manufacturing Agreement.

In accordance with the provisions of French law applicable to ISM, the Biostime Director shall be Biostime Pharma. The permanent representative of Biostime Pharma in its capacity as Biostime Director shall be appointed by the Framework Agreement Biostime Parties.

### *Entry into the Deed of Adherence, the Bylaws and the Rules*

The Parties undertake that for the entire term of the Framework Agreement, the governance of ISM shall be organized in accordance with (i) a deed of adherence to be executed among the Parties pursuant to which the Parties undertake to comply with relevant legal provisions applicable to cooperative companies under the French law, (ii) the Bylaws, and (iii) ISM’s rules of procedure, in addition to the Framework Agreement.

### *Shareholder and voting rights of Biostime Pharma in ISM*

Immediately upon completion of Share Subscription, Biostime Pharma shall be the only Non-cooperative Shareholder of ISM, while all the other shareholders of ISM are Cooperative Shareholders. Under French law, the major difference between Cooperative Shareholder and Non-cooperative Shareholders is to the nature of their relationships with the target cooperative company. In particular, a Cooperative Shareholder join a cooperative company in order to use the services of the cooperative company (and such Cooperative Shareholders undertake to use such services without having recourse to third parties), while a Non-cooperative Shareholder join the cooperative company as an investor.

From when Biostime Pharma first becomes a shareholder of ISM and for as long as Biostime Pharma shall be a Non-cooperative Shareholder of ISM, Biostime Pharma shall appoint all delegates representing the Non-cooperative Shareholder(s) at the ISM’s section meeting dedicated to Non-cooperative Shareholders<sup>1</sup>.

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<sup>1</sup> According to the Bylaws, before any general meeting of shareholders of ISM, there are “section meetings”, which are meetings of (i) all Cooperative Shareholders of ISM in a given geographical area and (ii) all Non-cooperative Shareholders of ISM independent of their geographical situation. Each section meeting appoints its delegates for the general meeting of shareholders to be held. The section meetings can only elect their delegates and are not allowed to vote on any other concern. The general meeting of shareholders of ISM is only composed of the delegates of all sections.

Pursuant to the relevant French law and the Bylaws, notwithstanding the number of shares held by Biostime Pharma, the voting rights of Biostime Pharma (represented by its delegates), as a Non-cooperative Shareholder, shall not exceed 10% of all voting rights in the general meeting of shareholders of ISM.

Pursuant to the Framework Agreement, any increase of ISM's share capital after the date of the Framework Agreement to the benefit of persons other than (i) the Cooperative Shareholders of ISM or (ii) those who are admitted to be Cooperative Shareholders of ISM in accordance with the relevant provisions of the Bylaws, shall be subject to prior written approval by Framework Agreement Biostime Parties.

The Parties agree that (i) Subscription Shares shall represent 20% of the total issued share capital of ISM as enlarged by the issuance of the Subscription Shares and that (ii) in case of variation of ISM's share capital in accordance with its Bylaws, Framework Agreement Biostime Parties shall have the right (but not the obligation) to maintain its shareholding at 20% of the total issued share capital of ISM by a subscription to additional ISM shares. In any case, Framework Agreement Biostime Parties' shareholding in ISM shall not exceed 49.9% of the total issued share capital of ISM.

#### *Interest rate on the Subscription Shares*

Subject to adoption of the relevant amendment(s) to the Bylaws, the Subscription Shares, as shares of ISM held by a Non-cooperative Shareholder, will give rise to the payment of interests at a rate equal to the interest rate applicable to the shares subscribed by the Cooperative Shareholders of ISM plus 2% per annum. The interest due in respect of the Subscription Shares shall be paid by priority with respect to the interest payable to the Cooperative Shareholders of ISM. The Parties shall use their best efforts to adopt amendments to the Bylaws to expressly provide for the interest rate and the payment conditions in respect of the Subscription Shares as contemplated in the Framework Agreement.

#### *Transferability of the Subscription Shares*

During the term that Framework Agreement Biostime Parties remain as a Non-cooperative Shareholder of ISM, they may not transfer any of the Subscription Shares to any third party without the prior written consent of ISM, with the exception of transferring to any of their affiliates.

## **Proposed Bond Subscription**

Pursuant to the Framework Agreement, the Group and ISM will enter into the Proposed Bond Subscription Agreement upon satisfaction of the Condition Precedent (as defined below), pursuant to which, ISM will issue, and Biostime Investment will subscribe for, 17,477,075 Bonds, with a nominal value of EUR1 (approximately HK\$10.0939) per Bond, at a subscription price equal to the nominal value of the Bonds.

The calendar of issuance and payment of the Bonds, their term, applicable interest rate, penalties, conditions for repayment and securities related thereto are to be further detailed in the Proposed Bond Subscription Agreement. Further announcement in relation to the details of the Proposed Bond Subscription Agreement will be made once the same has been entered into between relevant parties.

Pursuant to the Framework Agreement, ISM undertakes to use the proceeds from the Proposed Bond Subscription exclusively for the purpose of financing the Facility.

The subscription price for the Proposed Bond Subscription is determined after arms' length negotiations. The Directors consider that the major terms and conditions of the Proposed Bond Subscription as specified in the Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Manufacturing and Supply of Products**

Pursuant to the Framework Agreement, the Company, together with its three subsidiaries, namely, Biostime Hong Kong, Biostime Pharma and Biostime Investment (together with the Company, the **"Manufacturing Agreement Biostime Parties"**), entered into the Manufacturing Agreement with ISM on 1 July 2013, pursuant to which Manufacturing Agreement Biostime Parties agreed to purchase from ISM and ISM agreed to sell and deliver to Manufacturing Agreement Biostime Parties the Products manufactured, packaged, labelled and stored by ISM. Please refer to the section headed "the Manufacturing Agreement" in this announcement for details of the Manufacturing Agreement.

## ***Research and Development***

In the Framework Agreement, the Parties expressed their intension to cooperate on research and development projects in fields such as, but not limited to, innovative infant formula ingredients, production processes and microbiological analysis methods.

The Parties will negotiate in good faith all research and development agreements that may be identified by the Parties during the term of the Proposed Project in order to develop common research and development work under conditions satisfactory for all Parties.

## **Condition Precedent**

### *Condition precedent*

The obligation of Biostime Investment and ISM to enter into the Proposed Bond Subscription Agreement with ISM is subject to the satisfaction of the condition precedent (the “**Condition Precedent**”) that ISM, as borrower, at the latest on the date of expiry of the Standstill Period, have entered into the relevant agreements with a syndicate of banks (the “**Lenders**”), for the loan and credit facility which is expected to be in the total amount of EUR30,000,000 (approximately HK\$302,817,000 for the financing of part of the Facility).

According to the Framework Agreement, the Condition Precedent is expected to be satisfied on or before 18 July 2013. As at the date of this announcement, the Condition Precedent has not been satisfied.

### *Effects of Condition Precedent not satisfied*

In case the Condition Precedent is not satisfied at the latest on 30 August 2013 (or any other date that would have been agreed upon between the Parties and the Lenders), the Parties shall discuss in good faith any alternative solution they can put in place for the financing of the Facility and its construction and commissioning in accordance with the provisions of the Framework Agreement, and within the time limits specified therein.

In the event that the Condition Precedent is not satisfied on or prior to the expiration of the Standstill Period and that no alternative solution referred to above has been agreed on between the Parties on or prior the expiration of the Standstill Period, then, without prejudice to the Parties:

- (1) the Framework Agreement shall terminate automatically on such expiration date;
- (2) the Framework Agreement Biostime Parties shall withdraw from ISM’s shareholding in accordance with the Bylaws; and
- (3) the Manufacturing Agreement shall terminate automatically on such expiration date, and the previous supply agreement between the Group and ISM which were terminated and replaced by the Manufacturing Agreement, shall become enforceable between the Parties as from such expiration date.

However, in the event that the Parties agree on an alternative solution referred to above, and on the conditions of its implementation, before the expiration of the Standstill Period, then each Party shall waive its termination and withdrawal rights under paragraphs above.

### **Term of the Framework Agreement**

The Framework Agreement is entered into for the entire term of the Manufacturing Agreement and shall remain in full force and effect so long as (i) the Manufacturing Agreement and the relevant other agreements have not been terminated in accordance with their respective provisions and (ii) the Framework Agreement Biostime Parties remain as a shareholder of ISM.

### **THE MANUFACTURING AGREEMENT**

On the date of the Framework Agreement, the Manufacturing Agreement Biostime Parties, entered into the Manufacturing Agreement with ISM, which shall terminate and replace the previous supply agreement between the Group and ISM. The particulars of the Manufacturing Agreement are set out below.

**Date of the Manufacturing Agreement** : 1 July 2013

**Parties** : (1) Manufacturing Agreement Biostime Parties  
(2) ISM

**Subject** : During the entire term of the Manufacturing Agreement and subject to its terms and conditions, Manufacturing Agreement Biostime Parties agreed to purchase from ISM and ISM agreed to sell and deliver to Manufacturing Agreement Biostime Parties the Products manufactured, packaged, labelled and stored by ISM in accordance with relevant quality manual and production recipe.

**Volume estimates**

: As from the commissioning of the Facility, Manufacturing Agreement Biostime Parties undertakes to purchase from ISM and ISM undertakes to sell to Manufacturing Agreement Biostime Parties the following amounts of Products:

- (1) not less than 15,000 metric tons of Products for the period from 1st January 2015 to 31st December 2015; and
- (2) not less than 18,000 metric tons of Products for each subsequent 12-months period for the entire term of the Manufacturing Agreement.

**Price**

: ISM undertakes to sell the Products to Biostime at a sale price determined in accordance with the formula as specified in the Manufacturing Agreement, which takes into account the price of each raw material and packaging material, production cost, fixed costs, analytical costs and logistic costs and margin rate.

The price of the Products will be determined after arms' length negotiations with reference to the prevailing market price of products of similar nature.

**Term**

: This Manufacturing Agreement is for an initial term of 15 years commencing on 1 July 2013 (the "**Initial Term**"). Upon expiry of the Initial Term, the Manufacturing Agreement shall automatically renew for successive periods of three years unless terminated by Manufacturing Agreement Biostime Parties, subject to a prior termination notice to be sent to ISM at least 3 months prior to the expiration of the corresponding period.

The Manufacturing Agreement may also be terminated for other causes as specified therein.

The Manufacturing Agreement may also be terminated if the Condition Precedent is not satisfied on or before 30 August 2013.

**Payment terms** : Upon delivery of the ordered volumes of Products, ISM shall send invoices to Manufacturing Agreement Biostime Parties and Manufacturing Agreement Biostime Parties shall pay the invoiced amount accordingly.

All payments shall be made by wire transfer to the bank account of ISM.

The Directors consider that the terms and conditions of the Manufacturing Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors confirm that the transactions under the Manufacturing Agreement are transactions of a revenue nature in the ordinary and usual course of business of the Group and therefore are not notifiable transactions under Chapter 14 of the Listing Rules pursuant to Rule 14.04(1)(g).

## **INFORMATION ABOUT ISM**

ISM is a reputable French civil-law agricultural cooperative engaged in the production and sale of various milk products (such as fresh milk, butter, cheese, etc.) and has developed specific and important know-how for the manufacturing and quality controls of infant formulas.

In order to increase its market share, ISM intends to increase its annual manufacturing capacity of high-quality infant formula products by the construction of the Facility, and to increase its know-how through research and development actions related to new production technologies.

ISM has been one of the suppliers of quality infant formula products of the Company since 2011.

The financial results of ISM prepared in accordance with French GAP for the two years ended 31 December 2012 are as follows:

	<b>For the year ended 31 December</b>	
	<b>2012</b>	<b>2011</b>
	Audited	Audited
	EUR'000	EUR'000
Net Profit before tax	<b>2,743</b>	2,076
Net Profit after tax	<b>2,567</b>	1,930

As at 31 December 2012, the book value of the net asset of ISM was EUR36,896,966 (approximately HK\$372,434,285.11) (audited).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, ISM and its ultimate beneficial owners (other than the Company and its subsidiaries) are third parties independent of the Company and connected persons of the Company.

## **INFORMATION ABOUT THE GROUP**

The Group is principally engaged in providing premium pediatric nutritional and baby care products in the PRC, including premium probiotic supplements for children, infant formulas, dried baby food products and baby care products for infants and children.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT**

As disclosed in the prospectus of the Company dated 3 December 2010, the Company intended to allocate part of the proceeds from its global offering for the business expansion by cooperating with upstream suppliers.

The Directors consider that the Proposed Project with ISM can further enhance and secure the supply of premium quality infant formula products while strengthening the partnership through participation in the share capital of ISM and enhancing common R&D projects. The Directors believe that this will also help optimizing the procurement costs of the Company by enabling economies of scale.

The Directors, including the independent non-executive Directors, consider that the Framework Agreement has been entered into on normal commercial terms, and the terms of the Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATION**

As certain applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Share Subscription are over 5% but less than 25%, the Framework Agreement and the relevant transactions contemplated thereunder constitute discloseable transaction for the Company and are subject to the notification and announcement requirements set out in Chapter 14 of the Listing Rules. As at the date of this announcement, the interest rate of the Bonds has not been agreed upon by the relevant parties and the Company expects that such interest rate will not be set at a level which will result in any of the applicable percentage ratios under Rule 14.07 of the Listing Rules exceeding 25%. In the event that any of the applicable percentage ratios under Rule 14.07 of the Listing Rules as determined based on the terms and conditions of the Proposed Bond Subscription Agreements entered into by the relevant parties exceeds 25%, the Company will re-comply with the



applicable notification, announcement and shareholders' approval requirements set out in Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Biostime Hong Kong”	Biostime Hong Kong Limited, a company incorporated under the laws of Hong Kong on 27 November 2012 and an indirectly wholly-owned subsidiary of the Company
“Biostime Investment”	Biostime International Investment Limited, a company incorporated under the laws of the British Virgin Islands on 14 November 2012 and a directly wholly-owned subsidiary of the Company
“Biostime Pharma”	Biostime Pharma, a company established under the laws of France with limited liability on 24 July 2008 and an directly wholly-owned subsidiary of the Company
“Board”	the board of Directors of the Company
“Bond(s)”	the ordinary bond(s) of ISM to be issued and subscribed according to the Proposed Bond Subscription Agreement
“Bylaws”	The bylaws of ISM
“Cooperative Shareholder”	a shareholder of a cooperative company under French Law, who is a professional in a specific agricultural sector and whose activity is related to the purpose of the company
“Company”	Biostime International Holdings Limited (合生元國際控股有限公司), a limited liability company incorporated in the Cayman Islands, the shares of which are listed on the Stock Exchange

“Director(s)”	the director(s) of the Company
“EUR”	Euro, the lawful currency of the member states of the European Union that have adopted the Euro as their common currency
“Framework Agreement”	The Framework Agreement entered into between Framework Agreement Biostime Parties and ISM, which sets forth in details the terms and conditions of the Proposed Project
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong Special Administrative Region
“ISM”	Isigny Sainte Mère, a French civil-law agricultural cooperative with an open share capital, registered with the French Commercial and Companies Register
“Manufacturing Agreement”	the Manufacturing Agreement entered into between Manufacturing Agreement Biostime Parties and ISM on 1 July 2013, pursuant to which Manufacturing Agreement Biostime Parties agreed to purchase from ISM and ISM agreed to sell and deliver to Manufacturing Agreement Biostime Parties the Products manufactured, packaged, labelled and stored by ISM
“Non-cooperative Shareholder”	a shareholder of a cooperative company under French Law, who is financial investor of the company and whose activity is not in the scope of activity of the company
“Products”	the finished infant formula powder manufactured, packaged, labelled and stored by ISM under the Manufacturing Agreement
“Proposed Bond Subscription”	the proposed subscription by Biostime Investment for the 17,477,075 Bonds to be issued by ISM with a nominal value of EUR1 (approximately HK\$10.0939) per Bond, at a subscription price equal to the nominal value

		of the Bonds
“Proposed Bond Subscription Agreement”		the subscription agreement proposed to be entered into between the Group and ISM, pursuant to which Biostime Investment will subscribe for 17,477,075 Bonds to be issued by ISM
“Shareholder(s)”		the shareholder(s) of the Company
“Share Subscription”		the subscription by Biostime Pharma of 504,585 shares in ISM to be issued with a unit price of EUR5 per share for a consideration of EUR2,522,925 pursuant to the Framework Agreement, representing 20% of the total issued share capital of ISM as enlarged by the issuance of the Subscription Shares
“Standstill Period”		the period commencing on the date hereof and expiring on the earlier of (i) the date on which the Condition Precedent would have been satisfied, and (ii) 30 August 2013
“Stock Exchange”		The Stock Exchange of Hong Kong Limited
“Subscription Shares”		the 504,585 shares in ISM to be subscribed by Biostime Pharma pursuant to the Framework Agreement
“%”		per cent

*For the purpose of this announcement, the exchange rate of EUR1= HK\$10.0939 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes and does not constitute representations that any amount in EUR or HK\$ have been, could have been or may be converted at such rate.*

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

Hong Kong, 2 July 2013

*As at the date of this announcement, the executive Directors of the Company are Mr. Luo Fei and Ms. Kong Qingjuan; the non-executive Directors of the Company are Dr. Zhang Wenbui, 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.*