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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 13 September 2012 with regard to the continuing connected transactions under the Existing Framework Purchase Agreement.

The Board announces that as the Existing Framework Purchase Agreement will expire on 31 December 2013, on 27 December 2013, BMcare Guangzhou, a direct wholly-owned subsidiary of the Company, entered into the Renewed Framework Purchase Agreement with Guangzhou Biohope to renew the Existing Framework Purchase Agreement for a period of two years.

As at the date of this announcement, Guangzhou Biohope is owned as to 52.8% by Mr. Luo Fei, 27.2% by Mr. Luo Yun and 20% by Mr. Chen Fufang, all of whom are Directors and among whom Mr. Luo Fei and Mr. Luo Yun are brothers. Mr. Luo Fei is the chairman, an executive Director and the chief executive officer of the Company and hence a connected person of the Company. As Mr. Luo Fei can exercise more than 30% of the voting power at general meetings of Guangzhou Biohope, Guangzhou Biohope is an associate of Mr. Luo Fei and therefore a connected person of the Company under Rule 14A.11(4) of the Listing Rules. Therefore, the transactions contemplated under the Renewed Framework Purchase Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The prices for the purchase of the Raw Materials by BMcare Guangzhou from Guangzhou Biohope under the Renewed Framework Purchase Agreement are determined based on the reasonable market prices of the Raw Materials agreed by both parties and the estimated costs for the supply of the Raw Materials, as well as taking into consideration of the volume of the Raw Materials to be purchased and the Term. Such Prices shall not be higher than the prices made available by Guangzhou Biohope to Independent Third Parties for the same type of Raw Materials, in the same period and under the same market circumstances.

Both parties agree that during the Term, BMcare Guangzhou has an option to purchase the Raw Materials from other parties who offer more competitive prices, provided that the same high quality of the Raw Materials is secured.

The aggregate values of the transactions between BMcare Guangzhou and Guangzhou Biohope under the Renewed Framework Purchase Agreement in the relevant financial years of the Company during the Term are capped at the Annual Caps, among which the Annual Cap of 2014 is RMB10,000,000 and the Annual Cap of 2015 is RMB15,000,000. The Annual Caps were arrived at after taking into account (a) the historical purchase amount by BMcare Guangzhou from Guangzhou Biohope under the Existing Framework Purchase Agreement, (b) the prices of the Raw Materials as prescribed in the Renewed Framework Purchase Agreement, and (c) the estimated volume of the Raw Materials that the Group is expected to order from Guangzhou Biohope during the Term.

As certain of the applicable percentage ratios (other than the profits ratio) as defined in Chapter 14 of the Listing Rules in respect of the Annual Caps are more than 0.1%, all of the applicable percentage ratios are less than 5% and the annual consideration under the Renewed Framework Purchase Agreement is expected to be higher than HK\$1,000,000, and that the transactions contemplated under the Renewed Framework Purchase Agreement are on normal commercial terms (or on terms no less favorable to the Group than terms made available from Independent Third Parties), the Renewed Framework Purchase Agreement and the transactions contemplated under it are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 13 September 2012 with regard to the continuing connected transactions under the Existing Framework Purchase Agreement.

The Board announces that as the Existing Framework Purchase Agreement will expire on 31 December 2013, on 27 December 2013, BMcare Guangzhou, a direct wholly-owned subsidiary of the Company, entered into the Renewed Framework Purchase Agreement with Guangzhou Biohope to renew the Existing Framework Purchase Agreement for a period of two years.

RENEWED FRAMEWORK PURCHASE AGREEMENT

The principal terms of the Renewed Framework Purchase Agreement are as follows:

- Date: 27 December 2013
- Parties: (i) BMcare Guangzhou as purchaser; and
(ii) Guangzhou Biohope as supplier.
- Duration: The Term for the Renewed Framework Purchase Agreement will commence on 1 January 2014 and end on 31 December 2015 (both dates inclusive).
- Nature of transactions: Purchase by BMcare Guangzhou from Guangzhou Biohope of certain Raw Materials, including surfactants, organic flower waters, natural vegetable oils, tapioca starch and so forth, the specifications and prices of which are prescribed in the Renewed Framework Purchase Agreement, for the production of certain baby care products of BMcare Guangzhou.
- Payment terms: Payment by BMcare Guangzhou under the Renewed Framework Purchase Agreement shall be made on a monthly basis. At the beginning of each month within the Term, both parties shall review and confirm the amount of Raw Materials purchased in the previous month, and BMcare Guangzhou shall then arrange payment accordingly.

BASIS OF CONSIDERATION

The prices for the purchase of the Raw Materials by BMcare Guangzhou from Guangzhou Biohope under the Renewed Framework Purchase Agreement are determined based on the reasonable market prices of the Raw Materials agreed by both parties and the estimated costs for the supply of the Raw Materials, as well as taking into consideration of the volume of the Raw Materials to be purchased and the Term. Such prices shall not be higher than the prices made available by Guangzhou Biohope to Independent Third Parties for the same type of Raw Materials, in the same period and under the same market circumstances.

Both parties shall also review the prices of the Raw Materials as prescribed in the Renewed Framework Purchase Agreement on a semi-annual basis, and shall adjust such prices based on mutual consensus with reference to the prevailing market prices.

HISTORICAL PURCHASE AMOUNT AND THE ANNUAL CAPS

(i) Historical Annual Caps and Purchase Amount

The annual caps for the transactions contemplated under the Existing Framework Purchase Agreement are RMB3,500,000 and RMB15,000,000 for the year ended 31 December 2012 and the year ended 31 December 2013, respectively.

The following table sets forth the historical purchase amount in respect of the transactions between the BMcare Guangzhou and Guangzhou Biohope under the term of the Existing Framework Purchase Agreement:

	From 13 September 2012 to 31 December 2012	Six months ended 30 June 2013
Historical purchase amount	RMB2,354,000 (approximately HK\$2,990,346)	RMB4,476,000 (approximately HK\$5,685,976)

(ii) Annual Caps

Pursuant to the Renewed Framework Purchase Agreement, the maximum aggregate amount of the transactions between BMcare Guangzhou and Guangzhou Biohope for the purchase of the Raw Materials in each of the relevant financial years of the Company during the Term is set out below:

Financial Year	Annual Cap
1 January 2014 – 31 December 2014	RMB10,000,000 (approximately HK\$12,703,252)
1 January 2015 – 31 December 2015	RMB15,000,000 (approximately HK\$19,054,878)

The Annual Caps were arrived at after taking into account (a) the historical purchase amount by BMcare Guangzhou from Guangzhou Biohope under the Existing Framework Purchase Agreement, (b) the prices of the Raw Materials as prescribed in the Renewed Framework Purchase Agreement, and (c) the estimated volume of the Raw Materials that the Group is expected to order from Guangzhou Biohope during the Term.

REASONS AND BENEFITS OF THE RENEWED FRAMEWORK PURCHASE AGREEMENT

These Raw Materials are for the production of certain baby care products of BMcare Guangzhou and are mainly imported from overseas. The kinds of the Raw Materials are diverse, while the purchase amount of the Raw Materials is small as far as the Group is concerned. Guangzhou Biohope, since its establishment in 1994, has developed a wealth of experience and resources in trading raw materials for personal care products, and its extensive customer base enables it to have stronger bargaining power when facing its suppliers so as to purchase relevant raw materials at more competitive prices, as compared with BMcare Guangzhou. In addition, Guangzhou Biohope is the exclusive distributor in southern China in respect of some of the Raw Materials. In view of the above reasons, the Directors believe that purchasing all these Raw Materials by BMcare Guangzhou from Guangzhou Biohope under the Renewed Framework Supply Agreement could leverage on Guangzhou Biohope's substantial experience in the relevant industry and its extensive and solid source of supply, enabling the Group to secure high quality of the Raw Materials with steady amount of supply, and meanwhile it is more efficient and economical, compared with BMcare Guangzhou purchasing directly from the suppliers of the Raw Materials.

Both parties agree that during the Term, BMcare Guangzhou has an option to purchase the Raw Materials from other parties who offer more competitive prices, provided that the same high quality of the Raw Materials is secured. Therefore, BMcare Guangzhou is given more flexibility in choosing its suppliers.

The Directors, including the independent non-executive Directors, believe that the Renewed Framework Purchase Agreement has been entered into on normal commercial terms, and the terms of the Renewed Framework Purchase Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole. As Mr. Luo Fei, Mr. Luo Yun and Mr. Chen Fufang are all Directors, and they hold 52.8%, 27.2% and 20% of the equity interests in Guangzhou Biohope, respectively, each of them therefore has a material interest in the Renewed Framework Purchase Agreement and has abstained from voting on the Board resolutions approving the Framework Purchase Agreement.

INFORMATION ON THE PARTIES

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

BMcare Guangzhou, as a direct wholly-owned subsidiary of the Company, is principally engaged in wholesale, import and export of personal care products for infants and children.

Guangzhou Biohope is principally engaged in import and distribution of raw materials for personal care products and household cleaning products.

LISTING RULES IMPLICATION

As at the date of this announcement, Guangzhou Biohope is owned as to 52.8% by Mr. Luo Fei, 27.2% by Mr. Luo Yun and 20% by Mr. Chen Fufang, all of whom are Directors and among whom Mr. Luo Fei and Mr. Luo Yun are brothers. Mr. Luo Fei is the chairman, an executive Director and the chief executive officer of the Company and hence a connected person of the Company. As Mr. Luo Fei can exercise more than 30% of the voting power at general meetings of Guangzhou Biohope, Guangzhou Biohope is an associate of Mr. Luo Fei and therefore a connected person of the Company under Rule 14A.11(4) of the Listing Rules. Therefore, the transactions contemplated under the Renewed Framework Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As certain of the applicable percentage ratios (other than the profits ratio) as defined in Chapter 14 of the Listing Rules in respect of the Annual Caps are more than 0.1%, all of the applicable percentage ratios are less than 5% and the annual consideration under the Renewed Framework Purchase Agreement is expected to be higher than HK\$1,000,000, and that the transactions contemplated under the Renewed Framework Purchase Agreement are on normal commercial terms (or on terms no less favorable to the Group than terms made available from Independent Third Parties), the Renewed Framework Purchase Agreement and the transactions contemplated under it are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. Details of the Renewed Framework Purchase Agreement will be included in the next published annual report and accounts of the Company in accordance with Rule 14A.46 of the Listing Rules.

DEFINITIONS

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

“Annual Caps”	the maximum aggregate amount of the transactions between BMcare Guangzhou and Guangzhou Biohope under the Renewed Framework Purchase Agreement in the relevant financial years of the Company during the Term, as more particularly set out in the section headed “the Annual Caps” of this announcement
“associate”	has the meaning ascribed to it in the Listing Rules
“BMcare Guangzhou”	BMcare Baby Products Inc. (Guangzhou), a limited liability company established under the laws of the PRC on 17 September 2009 and a direct wholly-owned subsidiary of the Company

“Board”	the board of Directors 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 and traded on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Framework Purchase Agreement”	the framework purchase agreement entered into on 13 September 2012 between BMcare Guangzhou and Guangzhou Biohope in respect of the purchase of the Raw Materials. For details, please refer to the relevant announcement of the Company dated 13 September 2013
“Guangzhou Biohope”	Guangzhou Biohope Co., Ltd., a limited liability company established under the laws of the PRC on 20 December 1994
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	an independent third party(ies), including the ultimate beneficial owners of such party(ies), not connected with the Company or any of its subsidiaries or any of their respective directors, chief executive or substantial shareholders or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Raw Materials”	certain raw materials purchased by BMcare Guangzhou from Guangzhou Biohope under the Renewed Framework Purchase Agreement for the production of certain baby care products of BMcare Guangzhou, including surfactants, organic flower waters, natural vegetable oils, tapioca starch and so forth, the specifications and prices of which are prescribed in the Renewed Framework Purchase Agreement
“Renewed Framework Purchase Agreement”	the framework purchase agreement entered into on 27 December 2013 between BMcare Guangzhou and Guangzhou Biohope in respect of the purchase of the Raw Materials for a period from 1 January 2014 to 31 December 2015
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term”	the term of the Renewed Framework Purchase Agreement, being the period from 1 January 2014 and 31 December 2015 unless terminated earlier in accordance with the terms of the Renewed Framework Purchase Agreement
“%”	per cent

* *In this announcement, amounts denominated in RMB have been converted into HK\$ at the exchange rate of HK\$1=RMB0.7872, for illustration purposes only.*

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

Hong Kong, 27 December 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 Wenhui, 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.