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BIOSTIME

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)

**PROPOSED ISSUE OF
HK\$2,500,000,000 ZERO COUPON CONVERTIBLE BONDS DUE 2019**

Manager

HSBC 

On 14 January 2014, the Company and the Manager entered into the Subscription Agreement, pursuant to which the Manager has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Firm Bonds in an initial aggregate principal amount of HK\$2,500,000,000. In addition, the Company has granted the Manager an option to require the Company to issue additional Option Bonds up to a further aggregate principal amount of HK\$600,000,000. The option is exercisable, in whole or in part, on one or more occasions, solely at the discretion of the Manager on or before the 30th day following the Closing Date.

The initial Conversion Price (subject to adjustment) is HK\$90.84, representing (i) a premium of approximately 27.49% over the closing price of the Shares as quoted on the Stock Exchange on 14 January 2014, (ii) a premium of 28.09% to the five-day average closing price of the Shares over the five trading days up to and including 14 January 2014, and (iii) a premium of 28.69% to the ten-day average closing price of the Shares over the ten trading days up to and including 14 January 2014.

Assuming full conversion of the Firm Bonds at the initial Conversion Price of HK\$90.84, the Firm Bonds will be convertible into 27,520,915 Shares (subject to adjustment), representing approximately 4.57% of the issued share capital of the Company as at the date of this announcement and approximately 4.37% of the issued share capital of the Company as enlarged by the issue of such 27,520,915 Shares. The Conversion Shares will be allotted and issued by the Company pursuant to the general mandate granted to the Directors at the annual general meeting held on 9 May 2013.

Assuming full conversion of the Firm Bonds and the Option Bonds at the initial Conversion Price of HK\$90.84, the Firm Bonds and the Option Bonds will be convertible into 34,125,935 Shares (subject to adjustment), representing approximately 5.67% of the issued share capital of the Company as at the date of this announcement and approximately 5.36% of the issued share capital of the Company as enlarged by the issue of such 34,125,935 Shares. The Conversion Shares will be allotted and issued by the Company pursuant to the general mandate granted to the Directors at the annual general meeting held on 9 May 2013.

The estimated net proceeds of the issue of (i) the Firm Bonds, after deduction of commissions and expenses, are estimated to be approximately HK\$2,449,187,500; and (ii) the Firm Bonds and the Option Bonds, after deduction of commissions and expenses, are estimated to be approximately HK\$3,038,387,500. The net proceeds are intended to be used by the Company to finance expansion of existing businesses and general corporate purposes.

Completion of the Subscription Agreement is subject to fulfilment, or waiver, of the conditions set out below. In addition, the Subscription Agreement may be terminated under certain circumstances. Please refer to the section headed “SUBSCRIPTION AGREEMENT” below for further information.

As the Subscription Agreement may or may not be completed, Shareholders and prospective investors are reminded to exercise caution when dealing in the Shares.

The Company intends to apply for the listing of the Convertible Bonds on the Stock Exchange by way of selectively marketed securities. The Company will also apply to the Stock Exchange for the listing of, and permission, to deal in the Conversion Shares.

SUBSCRIPTION AGREEMENT

Date: 14 January 2014

Parties: The Company as issuer

The Hongkong and Shanghai Banking Corporation Limited as the manager

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Manager and its ultimate beneficial owners is not a connected person of the Company and is a third party independent of and not connected with any of the connected persons (as defined in the Listing Rules) of the Company and is not acting in concert with any of the connected persons and each other.

Subject to fulfilment, or waiver, of the conditions precedent set out below, the Manager has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Firm Bonds in an initial aggregate principal amount of HK\$2,500,000,000. In addition, the Company has granted the Manager an option to require the Company to issue additional Option Bonds up to a further aggregate principal amount of HK\$600,000,000. The option is exercisable, in whole or in part, on one or more occasions, solely at the discretion of the Manager on or before the 30th day following the Closing Date.

Distribution

The Manager has informed the Company that it intends to offer and sell the Convertible Bonds to not less than six independent individual, corporate and/or institutional investors places. The Convertible Bonds will be offered and sold to persons whose ordinary business involves buying, selling or investing in securities outside the United States in reliance upon Regulation S of the Securities Act. None of the Convertible Bonds will be offered to the public in Hong Kong, nor will they be placed to any connected persons (as defined in the Listing Rules) of the Company. The Company will promptly notify the Stock Exchange if it becomes aware of any dealings in the Convertible Bonds by any connected person (as defined in the Listing Rules) of the Company.

The Manager, acting as stabilising manager may, to the extent permitted by applicable laws and directives, over-allot and effect transactions with a view to supporting the market price of the Convertible Bonds and/or the Shares at a level higher than that which might otherwise prevail, but there is no obligation on the Manager to do so. Such stabilising, if commenced, may be discontinued at any time. The Manager will conduct any such stabilisation activities in accordance with applicable laws and regulations.

Undertakings

The Company has, among other things, undertaken with the Manager that neither it nor any of its subsidiaries or affiliates over which it exercises management or voting control, nor any person acting on behalf of any of them, will, for a period from the date of the Subscription Agreement up to 90 days after the Closing Date (or (if later) the Option Closing Date) (both days inclusive), without the prior written consent of the Manager, (a) issue, offer, sell, pledge, contract to sell or otherwise dispose of or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Convertible Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Convertible Bonds, the Shares or securities of the same class as the Convertible Bonds, the Shares or other instruments representing interests in the Convertible Bonds, the Shares or other securities of the same class as them, or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, including equity swaps, forward sales and options representing the right to receive any Shares, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, save for (i) the Convertible Bonds and the new Shares issued on conversion of the Convertible Bonds, (ii) any share options to be issued pursuant to the publicly disclosed employee's share option scheme adopted by the Company on 25 November 2010, (iii) any Shares to be issued pursuant to the publicly disclosed share award scheme adopted by the Company on 28 November 2011; and (iv) any Shares to be issued pursuant to the publicly disclosed share award scheme adopted by the Company on 29 November 2013.

The Company will also procure Biostime Pharmaceuticals to execute a lock-up undertaking that, for a period from the Closing Date until 90 days from the Closing Date or, if later, the last Option Closing Date, neither it nor its nominee nor any person acting on its behalf will (except with the prior written approval of the Manager) (i) issue, offer, sell, contract to sell, pledge, encumber or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal) any of the Shares held by it, or issue, offer, sell, contract to sell, pledge or otherwise dispose of any securities exchangeable for or convertible into or exercisable for such Shares, warrants or other rights to purchase such Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of such Shares, including equity swaps, forward sales and options representing the right to receive any such Shares; (ii) enter into any other arrangement that transfers to others, in whole or in part, any of the economic consequences of ownership of the Shares held by it; or (iii) publicly announce any such offer, issue, sale or disposal of any Shares held by it.

Conditions Precedent

Completion of the Subscription Agreement is conditional upon:

- (i) the Manager being satisfied with the results of its due diligence investigations with respect to the Company and its subsidiaries and the Offering Circular shall have been prepared in form and content satisfactory to the Manager;
- (ii) on or before the Closing Date, the execution and delivery of the Trust Deed and the Agency Agreement, each in a form reasonably satisfactory to the Manager, by the respective parties;
- (iii) on or before the Closing Date, Biostime Pharmaceuticals shall have executed a lock-up agreement in the form attached to the Subscription Agreement;
- (iv) upon the date on which the Offering Circular is published and distributed (“**Publication Date**”) and on the Closing Date and the Option Closing Date (if any), letters delivered to the Manager, in form and substance satisfactory to the Manager, dated the Publication Date and dated the Closing Date and the Option Closing Date (if any) in the manner as set out in the Subscription Agreement by the auditors of the Company;
- (v) at the Closing Date and the Option Closing Date (if any):
 - (a) the representations and warranties of the Company in the Subscription Agreement being true, accurate and correct at, and as if made on such date;
 - (b) the Company having performed all of its obligations under the Subscription Agreement to be performed on or before such date; and
 - (c) there having been delivered to the Manager a certificate in the form attached to the Subscription Agreement;
- (vi) after the date of the Subscription Agreement or, if earlier, the dates as of which information is given in the Offering Circular up to and at the Closing Date and the Option Closing Date (if any), there not having occurred any change (nor any development or event involving a prospective change), in the condition (financial or other), prospects, results of operations or general affairs of the Company or its subsidiaries, which, in the opinion of the Manager, is material and adverse in the context of the issue and offering of the Convertible Bonds;

- (vii) on or prior to the Closing Date there shall have been delivered to the Manager copies of all consents and approvals required in relation to the issue of the Convertible Bonds and the performance of its obligations under the Trust Deed, the Agency Agreement and the Convertible Bonds (including the consents and approvals required from all lenders);
- (viii) on or prior to the Closing Date, there having been delivered to the Manager a certificate of no default in the form attached to the Subscription Agreement;
- (ix) the Stock Exchange having agreed to list the Conversion Shares upon conversion of the Convertible Bonds, subject to any customary conditions in connection therewith and the Stock Exchange having agreed, subject to any customary conditions in connection therewith, to list the Convertible Bonds (or, in each case, the Manager being reasonably satisfied that such listing will be granted);
- (x) on or before the Closing Date and the Option Closing Date (if any), there having been delivered to the Manager opinions, in form and substance satisfactory to the Manager, dated the Closing Date and the Option Closing Date (if any), as the case may be, of:
 - (a) legal advisers to the Company as to Cayman Islands law;
 - (b) legal advisers to the Manager as to the laws of the People's Republic of China;
and
 - (c) legal advisers to the Manager and the Trustee as to English law,

and such other resolutions, consents, authorities and documents relating to the issue of the Convertible Bonds, as the Manager may reasonably require. The Manager may, at its discretion and upon such terms as it thinks fit, waive compliance with the whole or any part of the above conditions precedent (other than (ii)).

Termination

The Manager may, by notice to the Company given at any time prior to payment of the net subscription monies for the Firm Bonds or the Option Bonds to the Company, terminate the Subscription Agreement in any of the following circumstances:

- (i) if there shall have come to the notice of the Manager any breach of, or any event rendering untrue or inaccurate in any respect, any of the warranties and representations contained in the Subscription Agreement or any failure to perform any of the Company's undertakings or agreements in the Subscription Agreement;
- (ii) if any of the conditions precedent has not been satisfied or waived by the Manager on or prior to the Closing Date or the Option Closing Date, as the case may be;

- (iii) if in the opinion of the Manager, there shall have been, since the date of the Subscription Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including any disruption to trading generally, or trading in any securities of the Company on any stock exchange or in any over the counter market) or currency exchange rates or foreign exchange controls such as would in its view, be likely to prejudice materially the success of the offering of the Convertible Bonds or distribution of the Convertible Bonds or dealings in the Convertible Bonds in the secondary market;
- (iv) if in the opinion of the Manager, there shall have occurred any of the following events:
 - (i) a suspension or a material limitation in trading in securities generally on the New York Stock Exchange, the London Stock Exchange plc, the Stock Exchange and/or any other stock exchange on which the Company's securities are traded;
 - (ii) a suspension or a material limitation in trading in the Company's securities on the Stock Exchange and/or any other stock exchange on which the Company's securities are traded;
 - (iii) a general moratorium on commercial banking activities in the United States, Hong Kong and/or the United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, Hong Kong or the United Kingdom; or
 - (iv) a change or development involving a prospective change in taxation affecting the Company, the Convertible Bonds and the Shares to be issued upon conversion of the Convertible Bonds or the transfer thereof; or
- (v) if, in the opinion of the Manager, there shall have occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would in its view be likely to prejudice materially the success of the offering and distribution of the Convertible Bonds or dealings in the Convertible Bonds in the secondary market.

Completion of the Subscription Agreement is subject to fulfilment, or waiver, of the conditions set out above. In addition, the Subscription Agreement may be terminated under the circumstances set out above. As the Subscription Agreement may or may not be completed, Shareholders and prospective investors are reminded to exercise caution when dealing in the Shares.

Initial Conversion Price and Conversion Shares

The initial Conversion Price (subject to adjustment), being HK\$90.84, represents;

- (i) a premium of approximately 27.49% over the closing price of the Shares as quoted on the Stock Exchange on 14 January 2014;

- (ii) a premium of 28.09% to the five-day average closing price of the Shares over the five trading days up to and including 14 January 2014; and
- (iii) a premium of 28.69% to the ten-day average closing price of the Shares over the ten trading days up to and including 14 January 2014.

The initial Conversion Price was determined after arms' length negotiations between the parties with reference to the prevailing market price of the Shares. The net price of each Conversion Share to the Company, (i) not including the Option Bonds based on the estimated net proceeds of approximately HK\$2,449,187,500 and 27,520,915 Conversion Shares (based on the initial conversion ratio of 22,016.7327 Shares per Convertible Bond), is expected to be approximately HK\$88.99; and (ii) including the Option Bonds based on the estimated net proceeds of approximately HK\$3,038,387,500 and 34,125,935 Conversion Shares (based on the initial conversion ratio of 22,016.7327 Shares per Convertible Bond), is expected to be approximately HK\$89.03.

Assuming full conversion of the Firm Bonds at the initial Conversion Price of HK\$90.84, the Firm Bonds will be convertible into 27,520,915 Shares (subject to adjustment), representing approximately 4.57% of the issued share capital of the Company as at the date of this announcement and approximately 4.37% of the issued share capital of the Company as enlarged by the issue of such 27,520,915 Shares.

Assuming full conversion of the Firm Bonds and Option Bonds at the initial Conversion Price of HK\$90.84, the Firm Bonds and Option Bonds will be convertible into 34,125,935 Shares (subject to adjustment), representing approximately 5.67% of the issued share capital of the Company as at the date of this announcement and approximately 5.36% of the issued share capital of the Company as enlarged by the issue of such 34,125,935 Shares. The Conversion Shares will be allotted and issued by the Company pursuant to the general mandate granted to the Directors at the annual general meeting held on 9 May 2013.

At the annual general meeting of the Company held on 9 May 2013, a general mandate was granted to the Directors to allot, issue and deal with the Shares not exceeding 20% of the issued share capital of the Company at the date of the passing of the resolution, being 120,458,800 Shares. As at the date of this announcement, no Shares have been allotted and issued by the Directors pursuant to such general mandate. The Conversion Shares will be allotted and issued by the Company pursuant to the general mandate granted to the Directors at the annual general meeting held on 9 May 2013.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds, which will be constituted by a trust deed to be entered into between the Company and a trustee (to be appointed), are summarised as follows:

Issuer

The Company will be the issuer of the Convertible Bonds.

Principal Amount

The aggregate principal amount of the Firm Bonds will be HK\$2,500,000,000.

In addition, the Company has granted the Manager an option to require the Company to issue additional Option Bonds up to a further aggregate principal amount of HK\$600,000,000. The option is exercisable, in whole or in part, on one or more occasions, solely at the discretion of the Manager on or before the 30th day following the Closing Date.

Issue Price

100% of the principal amount of the Convertible Bonds.

Interest

The Convertible Bonds do not bear any coupon interest.

Conversion Right

Holders of the Convertible Bonds have the right to convert their Convertible Bonds into Shares at any time during the Conversion Period at the then prevailing Conversion Price.

Conversion Price

The Convertible Bonds will be convertible into Shares at an initial Conversion Price of HK\$90.84 per Share. The Conversion Price will be subject to adjustment for, among other things, consolidation, subdivision or reclassification of Shares, capitalisation of profits or reserves, capital distributions, rights issues of Shares or options over Shares, rights issues of other securities and other dilutive events.

Conversion Period

The Convertible Bonds may be converted into Shares at any time during the Conversion Period (being on or after 4 April 2014 up to the close of business on the date falling seven days prior to the Maturity Date, or if such Convertible Bond has been called for redemption before the Maturity Date, then up to and including the close of business on a date no later than seven days prior to the date fixed for redemption).

Ranking of Conversion Shares

The Conversion Shares will rank *pari passu* in all respects with the Shares then in issue on the relevant date of registration of holders of such Shares on the register of members of the Company.

Transfer

Other than during certain restricted transfer periods as set out in the terms and conditions attached to the Subscription Agreement and subject to the terms of the Agency Agreement in respect of the Convertible Bonds, the Convertible Bonds are transferable without restrictions.

Redemption at Maturity

Unless previously redeemed, converted, purchased and cancelled, the Company will redeem each Bond on the Maturity Date at 115.34% of its principal amount. The Company may not redeem the Bonds at its option prior to that date except as provided below.

Redemption at the Option of the Company

At any time on giving not less than 30 nor more than 60 days' notice to the trustee under the trust deed constituting the Convertible Bonds and the holders of Convertible Bonds, the Company may redeem all, but not some only, of the Convertible Bonds at a redemption price equal to the early redemption amount (calculated in such manner as set out in the terms and conditions of the Convertible Bonds) as at such date, (i) at any time after 20 February 2017, provided that the closing price of a Share, for 20 out of the 30 consecutive trading days immediately prior to the date upon which the notice is given was at least 130 per cent. of the early redemption amount divided by the conversion ratio (as set out in the terms and conditions of the Convertible Bonds) then in effect immediately prior to the date upon which notice of such redemption is given; or (ii) if, prior to the date the relevant notice is given, conversion rights have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Convertible Bonds originally issued (including Option Bonds).

Redemption for Taxation Reasons

At any time the Company may, having given not less than 30 nor more than 60 days' notice to the holders of Convertible Bonds and the trustee under the trust deed constituting the Convertible Bonds (which notice shall be irrevocable), redeem all, and not some only, of the Convertible Bonds at a redemption price equal to their early redemption amount (calculated in such manner as set out in the terms and conditions of the Convertible Bonds), if the Company satisfies the trustee immediately prior to the giving of such notice that (i) the Company has or will become obliged to pay any additional amounts as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 14 January 2014, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional amounts were a payment in respect of the Convertible Bonds then due.

If the Company gives a notice of redemption for taxation reasons, each holder of Convertible Bonds will have the right to elect that his Convertible Bonds shall not be redeemed and that any payment of principal or interest to be made in respect of such Convertible Bonds which falls due after the date fixed for redemption shall be made subject to the deduction of withholding of the relevant tax required to be withheld or deducted.

Redemption for Delisting or Change of Control

When (a) the Shares cease to be listed or admitted to trading on the Stock Exchange (or if applicable, an alternative stock exchange), (b) there is a suspension or material limitation in trading of the Shares on the Stock Exchange (or if applicable, an alternative stock exchange) and such suspension or material limitation continues for a period equal to or exceeding 45 consecutive trading days on the Stock Exchange, or (c) there is a change of control with respect to the Company, the holder of each Convertible Bond will have the right, at such holder's option, to require, by giving notice (which notice shall be irrevocable) to the principal paying and conversion agent, the Company to redeem all or some only of that holder's Bonds at a redemption price equal to their early redemption amount (calculated in such manner as set out in the terms and conditions of the Convertible Bonds).

Redemption at the Option of the Bondholders

The Company will, at the option of the holder of any Convertible Bond, redeem all or some of that holder's Convertible Bonds on 20 February 2017 (the "**Put Option Date**"), at their early redemption amount (calculated in such manner as set out in the terms and conditions of the Convertible Bonds) as at such date. To exercise such right, the holder of the relevant Convertible Bond must complete, sign and deposit at the specified office of any paying agent a duly completed and signed notice (the "**Put Option Notice**") together with the Convertible Bond certificate evidencing the Convertible Bonds to be redeemed not earlier than 60 days and not later than 30 days prior to the Put Option Date. A Put Option Notice, once delivered, shall be irrevocable (and may not be withdrawn without the Company's consent) and the Company shall redeem the Convertible Bonds the subject of a Put Option Notice delivered as aforesaid on the Put Option Date.

Form of the Convertible Bonds and Denomination

The Convertible Bonds will be in registered form and in denomination of HK\$2,000,000 each and integral multiples thereof.

Ranking of the Convertible Bonds

The Convertible Bonds, when issued, will constitute direct, unsubordinated, unconditional and (subject to the terms and conditions of the Convertible Bonds) unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference or priority among themselves.

Negative Pledge

The Company has, among other things, also undertaken that, so long as any of the Convertible Bonds remains outstanding (as defined in the Trust Deed), it will not, and will procure that none of its subsidiaries will, create, or have outstanding, any mortgage, charge, lien, pledge or other security interest upon the whole or any part of its present or future undertaking,

assets or revenues (including any uncalled capital) to secure any relevant indebtedness (being any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock, bearer participation certificates, depositary receipts, certificates of deposit or other similar securities or instruments which for the time being are, or are intended to be or are capable of being, quoted, listed, dealt in or traded on any stock exchange or over-the-counter or other securities market (whether or not initially distributed by way of private placement) or any guarantee or indemnity in respect of any such relevant indebtedness, without at the same time or prior thereto according to the Convertible Bonds the same security as is created or subsisting to secure any such relevant indebtedness, guarantee or indemnity or such other security as either the trustee under the trust deed constituting the Convertible Bonds shall in its absolute discretion deem not materially less beneficial to the interests of the holders of Convertible Bonds or shall be approved by an extraordinary resolution of the holders of Convertible Bonds.

Protection Against Adjustment of Conversion Price in Respect of Declaration of Dividend

In general, no adjustment to the conversion price of the Convertible Bonds will be made if the cash dividend declared by the Company for any fiscal year does not exceed 70% of the consolidated net profit.

LISTING

The Company intends to apply for the listing of the Convertible Bonds on the Stock Exchange. The Company will also apply to the Stock Exchange for the listing of, and permission, to deal in the Conversion Shares.

USE OF PROCEEDS

The estimated net proceeds of the issue of (i) the Firm Bonds, after deduction of commissions and expenses, are estimated to be approximately HK\$2,449,187,500; and (ii) the Firm Bonds and the Option Bonds, after deduction of commissions and expenses, are estimated to be approximately HK\$3,038,387,500. The net proceeds are all intended to be used by the Company to finance expansion of existing businesses and general corporate purposes.

REASONS FOR AND BENEFITS OF THE ISSUE OF THE CONVERTIBLE BONDS

The Directors consider that issue of the Convertible Bonds represents an opportunity for the Company to raise additional funds at lower cost and on commercially attractive terms. Taking into account the terms of the Convertible Bonds and the initial Conversion Price (which represents a premium to the closing price of the Shares as quoted on the Stock Exchange on 14 January 2014), the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Convertible Bonds are fair and reasonable and are in the interest of the Shareholders taken as a whole.

FUND-RAISING ACTIVITIES IN THE PAST 12 MONTHS

Apart from the issue of the Convertible Bonds, the Company has not carried out other fund raising activities during the 12 months immediately preceding the date of this announcement.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below summarises the shareholding structure of the Company (i) as at the date of this announcement; (ii) assuming full conversion of the Convertible Bonds (not including the Option Bonds) at the Initial Conversion Price; and (iii) assuming full conversion of the Convertible Bonds (including the Option Bonds):

Name of Shareholders	As at the date of this announcement		Immediately after full conversion of the Convertible Bonds (not including the Option Bonds) at the Initial Conversion Price		Immediately after full conversion of the Convertible Bonds (including the Option Bonds) at the initial Conversion Price	
	No. of Shares	% of the issued share capital of the Company	No. of Shares	% of the enlarged share capital of the Company	No. of Shares	% of the enlarged share capital of the Company
Biostime Pharmaceuticals (<i>Note</i>)	450,000,000	74.71	450,000,000	71.45	450,000,000	70.71
Holder of Convertible Bonds	–	–	27,520,915	4.37	34,125,935	5.36
Public	152,294,000	25.29	152,294,000	24.18	152,294,000	23.93
Total	602,294,000	100.00	629,814,915	100.00	636,419,935	100.00

Note: As at the date of this announcement, Biostime Pharmaceutical is owned as to 28.15% by Mr. Luo Fei, 26.00% by Mr. Wu Xiong, 19.55% by Mr. Luo Yun, 11.90% by Mr. Chen Fufang, 10.00% by Dr. Zhang Wenhui and 4.40% by Ms. Kong Qingjuan. Mr. Luo Fei and Ms. Kong Qingjuan are executive Directors and Mr. Wu Xiong, Mr. Luo Yun, Mr. Chen Fufang and Dr. Zhang Wenhui are non-executive Directors.

INFORMATION ABOUT THE COMPANY

The Company and its subsidiaries are 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.

Completion of the Subscription Agreement is subject to fulfilment, or waiver, of the conditions set out above. In addition, the Subscription Agreement may be terminated under certain circumstances. Please refer to the section headed “SUBSCRIPTION AGREEMENT” above for further information.

As the Subscription Agreement may or may not be completed, Shareholders and prospective investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

“Agency Agreement”	a paying, conversion and transfer agency agreement relating to the Convertible Bonds to be entered into between, among others, the Issuer, the trustee, The Hongkong and Shanghai Banking Corporation Limited, as principal paying agent, conversion agent and transfer agent, The Hongkong and Shanghai Banking Corporation Limited, as registrar (as amended or supplemented from time to time)
“Biostime Pharmaceuticals”	Biostime Pharmaceuticals (China) Limited, a company incorporated in the British Virgin Islands with limited liability, the controlling shareholder (as such term is defined in the Listing Rules) of the Company
“Closing Date”	20 February 2014, or such later date (not being later than 6 March 2014) as the Company and the Manager may agree on which the Firm Bonds will be issued
“Company”	Biostime International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Conversion Period”	on or after 4 April 2014 up to the close of business on the seventh day prior to the Maturity Date, or if such Convertible Bond has been called for redemption before the Maturity Date, then up to and including the close of business on a date no later than the seventh day prior to the date fixed for redemption
“Conversion Price”	the price per Share at which the Convertible Bonds may be converted into Shares
“Conversion Shares”	Shares which may fall to be issued by the Company on conversion of the Convertible Bonds
“Convertible Bonds”	the Firm Bonds and the Option Bonds
“Current Market Price”	the arithmetic average of the daily closing prices of the relevant Shares for the twenty consecutive trading days ending on and including the trading day immediately preceding such date

“Directors”	directors of the Company
“Firm Bonds”	Hong Kong dollar denominated zero coupon convertible bonds due 2019 with an initial aggregate principal amount of HK\$2,500,000,000
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Manager”	The Hongkong and Shanghai Banking Corporation Limited
“Maturity Date”	20 February 2019
“Offering Circular”	the offering circular to be issued in connection with the offering of the Convertible Bonds
“Option Bonds”	Hong Kong dollar denominated zero coupon convertible bonds due 2019 up to an aggregate principal amount of HK\$600,000,000, exercisable at the option of the Manager
“Option Closing Date”	the date that the Manager may exercise its option to request the Company to issue the Convertible Bonds in an additional aggregate principal amount of HK\$600,000,000 according to the terms of the Subscription Agreement
“PRC”	People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Securities Act”	United States Securities Act of 1933, as amended
“Shareholders”	holders of Shares
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the conditional subscription agreement entered into between the Company and the Manager on 14 January 2014, pursuant to which the Manager has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Convertible Bonds
“Trust Deed”	A trust deed to be entered into between the Company and the Trustee in connection with the offering of the Convertible Bonds
“Trustee”	The Hongkong and Shanghai Banking Corporation Limited, as the trustee under the Trust Deed
“United States”	United States of America

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

Hong Kong, 14 January 2014

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.