

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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)

- (1) MAJOR TRANSACTION;
(2) ISSUE OF THE CONSIDERATION SHARES UNDER
THE GENERAL MANDATE; AND
(3) ENTRY INTO OF A LOAN AGREEMENT,
EACH IN RELATION TO THE ACQUISITION OF AN
APPROXIMATELY 83% EQUITY INTEREST
IN SWISSE WELLNESS;
AND
(4) RESUMPTION OF TRADING**

Sole Financial Adviser to the Company

HSBC  滙豐

THE ACQUISITION

On 17 September 2015, the Purchaser (an indirect subsidiary of the Company), the Company (as the Purchaser's guarantor) and the Sellers entered into the Share Sale Agreement, pursuant to which the Sellers have conditionally agreed to sell, and the Company has conditionally agreed to acquire through the Purchaser, an approximately 83% equity interest in the Target Group for an aggregate consideration of approximately AUD1,386 million (equivalent to approximately HKD7,667 million) (subject to post-completion adjustments). The consideration is comprised of a cash element and the Consideration Shares (which will be issued under the Company's general mandate), each as further described in this announcement.

The Target Group is principally engaged in research, marketing and distribution of vitamins and health supplements in Australia and New Zealand under the "Swisse" brand.

Completion of the Acquisition is subject to the fulfilment of certain conditions as further described in this announcement. Completion of the Acquisition is expected to take place in late September 2015.

Upon completion of the Acquisition, the Target Group will be indirectly held by the Company as to approximately 83% and will become a subsidiary of the Company. Accordingly, the financial information of the Target Group will be consolidated into the accounts of the Group.

The Purchaser (as the majority shareholder), the Company (as the Purchaser's guarantor), the Sellers (as minority shareholders) and the Target Company entered into the Shareholders' Agreement, in respect of the Target Company, simultaneously with entry into of the Share Sale Agreement. The operative terms of the Shareholders' Agreement will come into effect on completion of the Acquisition. The principal terms of the Shareholders' Agreement are as further described in this announcement.

ENTRY INTO OF A LOAN AGREEMENT

In order to fund the Acquisition, on 17 September 2015, the Company and Biostime HK (an indirect subsidiary of the Company) entered into the Facility Agreement with, among others, ANZ and HSBC (as Mandated Lead Arrangers and Original Lenders). The Facility Agreement provides for up to USD450 million of bridge financing for the Acquisition. The Facility Agreement requires the borrower to prepay the bridge financing if certain holders of shares in Biostime Pharmaceuticals (China) Limited, the controlling shareholder of the Company, cease to directly or indirectly hold a specific percentage of the issued share capital of the Company, and therefore certain information is required to be disclosed to Shareholders pursuant to Rule 13.18 of the Listing Rules.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 25% but is less than 100%, as calculated under Rule 14.07 of the Listing Rules, the Acquisition constitutes a major transaction and is therefore subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition which is different from other Shareholders, and thus no Shareholder would be required to abstain from voting at a general meeting if such a general meeting were to be convened.

The Company has obtained written Shareholders' approval for the Acquisition pursuant to Rule 14.44 of the Listing Rules from Biostime Pharmaceuticals (China) Limited, the controlling shareholder of the Company which currently holds 450,000,000 Shares (representing approximately 73.84% of the issued share capital of the Company as at the date of this announcement). Accordingly, no Shareholders' meeting will be held to approve the Acquisition pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among other things, (i) details of the Acquisition; (ii) financial and other information of the Target Group; (iii) certain pro forma financial information of the Group combined with that of the Target Group; and (iv) other information as required under the Listing Rules will be despatched to the Shareholders for information only on or before 12 October 2015.

RESUMPTION OF TRADING

At the request of the Company and as announced on 17 September 2015, trading in the Shares (stock code: 1112) and the Company's debt securities (stock code: 6024) on the Stock Exchange was halted with effect from 9.00 a.m. (Hong Kong time) on 17 September 2015 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9.00 a.m. (Hong Kong time) on 18 September 2015.

INTRODUCTION

On 17 September 2015, Biostime Healthy Australia Investment Pty Ltd (an indirect subsidiary of the Company) as the Purchaser, the Company (as the Purchaser's guarantor) and the Sellers entered into the Share Sale Agreement, pursuant to which the Sellers have conditionally agreed to sell, and the Company conditionally agreed to acquire through the Purchaser, an approximately 83% equity interest in the Target Company for an aggregate consideration of approximately AUD1,386 million (equivalent to approximately HKD7,667 million) comprised of:

- (i) cash consideration of AUD1,336 million (equivalent to approximately HKD7,390 million) (subject to post-completion adjustments); and
- (ii) as to AUD50 million (equivalent to approximately HKD277 million), by way of the issue of 20,513,085 Shares to the Sellers at an issue price of HKD13.48 each (the "**Consideration Shares**"), representing approximately 3.4% of the existing issued share capital of the Company and 3.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (further details of which are set out below under "Issue of Consideration Shares Under the General Mandate").

Completion of the Acquisition will result in the Company having approximately an effective 83% equity interest in the Target Group.

THE SHARE SALE AGREEMENT

Date: 17 September 2015

Parties:

- (i) Biostime Healthy Australia Investment Pty Ltd, as the Purchaser;
- (ii) the Company, as the Purchaser's guarantor guaranteeing the performance by the Purchaser of its obligations under the Share Sale Agreement;
- (iii) the Sellers; and
- (iv) the Covenantors.

The Purchaser is an investment holding company and an indirect subsidiary of the Company, incorporated solely for the purposes of the Acquisition.

A trust to which Mr. Stephen Ring, the descendant of the Target Company's founder Mr. Kevin Ring, is the beneficiary is currently the majority shareholder of the Target Company. Each of the Management Sellers is either an individual or a trustee company of a trust to which a current or former member of management of the Target Company is a beneficiary. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Sellers and their respective ultimate beneficial owners is a third party independent of the Company and its connected persons.

The Company has entered into the Share Sale Agreement solely as guarantor of the due and punctual performance of the Purchaser's obligations under the Share Sale Agreement.

The Acquisition

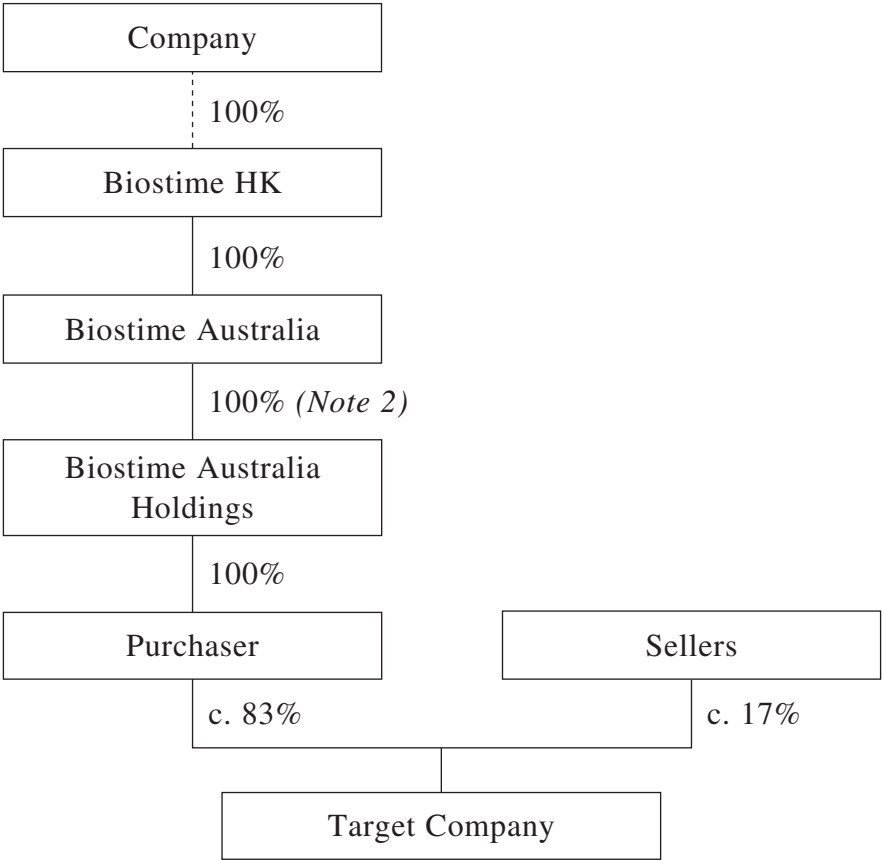
The Sellers have conditionally agreed to sell, and the Company has conditionally agreed to acquire through the Purchaser, an approximately 83% equity interest in the Target Company, with the Sellers retaining an approximately 17% equity interest in the Target Company (pending exercise of the Roll-Up Call Option described below).

Set out below is the shareholding structure of the Target Group (i) as at the date of this announcement; and (ii) upon completion of the Acquisition.

(i) As at the date of this announcement



(ii) Upon completion of the Acquisition



Note 1: MTGRP L.L.C., an investment holding company and a wholly-owned subsidiary of Goldman Sachs Group, Inc., currently holds approximately 0.3% of the shares in the Target Company and equity warrants in relation to approximately a further 4% of the shares in the Target Company. The equity warrants will be exercised by MTGRP L.L.C. prior to completion of the Acquisition. All of the shares in the Target Company that are currently held by MTGRP L.L.C., and those that are to be acquired by MTGRP L.L.C. on exercise of the equity warrants, will be transferred to Fiske Pty Ltd (as trustee for the Ring Family Trust) prior to completion of the Acquisition. Accordingly, MTGRP L.L.C. is not party to the Share Sale Agreement and is not a Seller.

Note 2: Biostime Australia Holdings has issued one class B share to a nominee of the Sellers, in order to protect the Sellers’ commercial interests in Biostime Australia Holdings unless and until the Roll-Up Call Option is exercised. This class B share entitles the holder to the limited voting rights but will entitle the holder to nominate a director to the board of Biostime Australia Holdings until completion of the Roll-Up Call Option.

Consideration and Payment Terms

Cash consideration

Pursuant to the Share Sale Agreement, the cash consideration payable by the Purchaser to the Sellers for the Acquisition is AUD1,336 million (equivalent to approximately HKD7,390 million) (subject to post-completion adjustments). The Purchaser shall satisfy such cash consideration in the following manner:

- (i) AUD83.5 million (equivalent to approximately HKD462 million) has been paid in cash by the Purchaser to an escrow account (the “**Escrow Account**”) as a deposit (the “**Deposit**”) on the date of execution of the Share Sale Agreement;
- (ii) AUD1,252.5 million (equivalent to approximately HKD6,928 million):
 - (a) minus the External Debt Payout Amount, the Company Dividend, 70% of the Swisse MISP Cash Bonus Amount and the Transaction Costs Amount (each as defined below);
 - (b) minus the estimated accrued but unpaid income tax liability (the “**Income Tax Liability**”) and certain agreed debt and debt-like items; and
 - (c) plus the cash and cash equivalents of the Target Group (the “**Target Group Cash**”),

will be payable in cash by the Purchaser to the Sellers as the completion payment on completion of the Acquisition.

The cash consideration will be sourced from funds made available to the Company under the Facility Agreement as well as the Company’s own cash on hand.

On completion of the Acquisition, the Deposit less AUD15 million (equivalent to approximately HKD83 million) in the Escrow Account will be paid to the Sellers, and the Purchaser shall, by way of unsecured loans, provide the relevant members of the Target Group with:

- (i) the necessary funds to repay in full certain existing facility agreements entered into by certain members of the Target Group (the “**External Debt Payout Amount**”);
- (ii) the necessary funds to pay any cash dividend or other distribution declared by the Target Company to the Sellers after the date of the Agreement (the “**Company Dividend**”);
- (iii) the amount to be paid to certain executives of the Target Company as the Sellers may direct, net of any employment taxes required to be withheld by any member of the Target Group (the “**Swisse MISP Cash Bonus Amount**”); and

- (iv) the external adviser costs and expenses incurred by the Target Group in relation to the Acquisition that are outstanding at completion of the Acquisition (the “**Transaction Costs Amount**”).

The remaining amount standing to the credit of the Escrow Account after completion of the Acquisition shall be retained in the Escrow Account for the purposes of any post-completion adjustments or claims under the Share Sale Agreement, for a period of nine months after completion of the Acquisition (at which point any remaining amount is paid to the Sellers).

Adjustment to the cash consideration payable for the Acquisition

Following completion of the Acquisition, the Purchaser and the Sellers will procure that a statement is prepared on the Target Group’s working capital as at the Business Day immediately before the date of completion of the Acquisition (the “**Completion Working Capital Statement**”). If the working capital of the Target Group as set out in the Completion Working Capital Statement is higher or lower than AUD40 million (equivalent to approximately HKD221 million) plus the Target Group Cash and minus the Income Tax Liability, the Purchaser shall pay the Sellers the surplus or the Sellers shall pay the Purchaser the shortfall (as the case may be) in cash within five Business Days after the finalisation of the Completion Working Capital Statement. The balance in the Escrow Account will be used to set off, as far as is possible, any such adjustment amount payable by the Sellers to the Purchaser.

Non-cash consideration

In addition to the cash consideration payable for the Acquisition, the Share Sale Agreement provides for the issue of the Consideration Shares to the Sellers on completion of the Acquisition, subject to approval from the Listing Committee for the listing of, and permission to deal in, the Consideration Shares.

Basis of determination of the consideration

The aggregate consideration for the Acquisition of AUD1,386 million (equivalent to approximately HKD7,667 million) was determined after arm’s length negotiations between the parties to the Share Sale Agreement with reference to the business prospects, financial position and performance of the Target Group, the future synergies to be derived by the Company after the successful acquisition of the Target Group, and the reasons and benefits to be derived from the Acquisition as described below.

The Directors consider that the aggregate consideration for the Acquisition is fair and reasonable and that the Acquisition is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion of the Acquisition is conditional on the following conditions having been fulfilled:

- (i) the approval of the Acquisition by the Shareholders in accordance with Chapter 14 of the Listing Rules; and
- (ii) the Treasurer of the Commonwealth of Australia has either:
 - (a) provided written notice which is unconditional or subject only to conditions acceptable to the Purchaser that there is no objection to the Acquisition under the FATA or Australian foreign investment policy; or
 - (b) become precluded from exercising any power to make an order under the FATA in relation to the Acquisition.

If any of the above conditions have not been fulfilled before the date falling three months after the date of execution of the Share Sale Agreement, the Purchaser and the Sellers may terminate the Share Sale Agreement by not less than two Business Days' notice to the other party.

The Company has obtained written Shareholders' approval for the Acquisition pursuant to Rule 14.44 of the Listing Rules, fulfilling the condition in (i) above.

Completion of the Acquisition

Completion of the Acquisition will take place on (at the Sellers' election) the last Business Day of the calendar month in which the last of the conditions has been fulfilled or the fifth Business Day after all of the conditions have been fulfilled (or such other date as the Sellers and Purchaser may agree in writing). Completion of the Acquisition is expected to take place in late September 2015.

Upon completion of the Acquisition, the Target Company will become an indirect subsidiary of the Company and accordingly, the financial information of the Target Group will be consolidated into the accounts of the Group.

ISSUE OF THE CONSIDERATION SHARES UNDER THE GENERAL MANDATE

Out of the total consideration for the Acquisition, AUD50 million (equivalent to approximately HKD277 million) is, subject to approval from the Listing Committee for the listing of, and permission to deal in, the Consideration Shares, to be satisfied by way of the issue of the Consideration Shares to the Sellers at an issue price of HKD13.48 each, representing approximately 3.4% of the existing issued share capital of the Company and 3.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Shareholders approved a general mandate in relation to issues of Shares at the Company's last annual general meeting. The Consideration Shares will be issued from within the number of Shares which remain available for issue as at completion of the Acquisition under the general mandate. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares. If such approval is not given, the Purchaser will instead pay an equivalent amount in cash to the Sellers on completion of the Acquisition.

The issue price for the Consideration Shares of HKD13.48 each was calculated with reference to the volume weighted average price of the Shares as quoted on the Stock Exchange for the five Business Days preceding the execution of the Share Sale Agreement and converted into AUD using the HKD/AUD exchange rate published by the Reserve Bank of Australia as at the close of business on the Business Day before execution of the Share Sale Agreement. Such issue price represents:

- (i) a discount of approximately 0.1% to the closing price of HKD13.50 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 0.1% to the average closing price of HKD13.50 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 3.8% to the average closing price of HKD12.99 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day.

The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares then in issue including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue. The Sellers have agreed to contractual undertakings not to sell, transfer or otherwise deal in 50% of the Consideration Shares for a period of 12 months from the date of completion of the Acquisition.

The Directors consider that the allotment and issue of the Consideration Shares as part of the consideration for the Acquisition, and the issue price of the Consideration Shares, is fair and reasonable and that the Acquisition is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

The following table sets out the shareholding interests in the Company: (i) as at the date of this announcement; and (ii) immediately after completion of the Acquisition (assuming that the controlling shareholder of the Company does not sell any Shares and the Company does not issue any new Shares):

	As at the date of this announcement		Immediately following issue of the Consideration Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Biostime Pharmaceuticals (China) Limited (<i>Note 1</i>)	450,000,000	73.8	450,000,000	71.4
Sellers	–	–	20,513,085	3.3
Other public shareholders	<u>159,413,609</u>	<u>26.2</u>	<u>159,413,609</u>	<u>25.3</u>
Total	<u><u>609,413,609</u></u>	<u><u>100.0</u></u>	<u><u>629,926,694</u></u>	<u><u>100.0</u></u>

Note 1: Biostime Pharmaceuticals (China) Limited, our controlling shareholder, is owned as to 47.71% by Coliving Limited, and therefore, Biostime Pharmaceuticals (China) Limited was deemed to be controlled by Coliving Limited. Coliving Limited is owned as to 59.00% by Flying Company Limited and 41.00% by Sailing Group Limited, and therefore, Coliving Limited is deemed to be controlled by each of Flying Company Limited and Sailing Group Limited. UBS Trustees (BVI) Limited, the trustee of each of the family trusts set up by Mr. Luo Fei as the settlor (the “**Mr. Luo Fei’s Family Trust**”) and Mr. Luo Yun as the settlor (the “**Mr. Luo Yun’s Family Trust**”), through its nominee UBS Nominees Limited, holds the entire issued share capital of Flying Company Limited and Sailing Group Limited as the respective trust assets under Mr. Luo Fei’s Family Trust and Mr. Luo Yun’s Family Trust. Mr. Luo Fei and Mr. Luo Yun are Directors of the Company. The beneficiaries of Mr. Luo Fei’s Family Trust and Mr. Luo Yun’s Family Trust are Mr. Luo Fei and his family members, and Mr. Luo Yun and his family members, respectively.

THE SHAREHOLDERS’ AGREEMENT

Following completion of the Acquisition, the Purchaser will hold an approximately 83% equity interest in the Target Company and the Sellers will hold an approximately 17% equity interest in the Target Company.

The Purchaser (as the majority shareholder), the Company (as the Purchaser’s guarantor), the Sellers (as minority shareholders) and the Target Company entered into the Shareholders’ Agreement, in respect of the Target Company, simultaneously with entry into of the Share Sale Agreement. The operative terms of the Shareholders’ Agreement will come into effect on completion of the Acquisition. The principal terms of the Shareholders’ Agreement are set out below.

Composition of the Target Company board

A maximum of five directors comprising:

- (i) one director appointed by the minority shareholders (insofar as they in aggregate hold at least 50% of the shares in the Target Company held by them immediately after completion of the Acquisition);
- (ii) Mr. Radek Sali, the current Chief Executive Officer of the Target Group (for so long as he retains that role); and
- (iii) three directors appointed by the Purchaser.

Quorum at board meetings of the Target Company

At least one director appointed by the Purchaser and at least one director appointed by the minority shareholders (unless there is only one director).

Disposal restrictions

The Purchaser may dispose of its shares in the Target Company at any time, subject to compliance with the minority shareholders’ tag-along rights (as detailed below).

The minority shareholders may not dispose of their shares in the Target Company except in a limited number of defined circumstances, including:

- (i) in the exercise of their tag-along rights or when compelled to in accordance with the Purchaser’s drag-along rights (each as detailed below);
- (ii) where the transferee controls or is controlled by the relevant minority shareholder;
- (iii) where the disposal is first approved by the Purchaser and, if the minority shareholders in aggregate continue to hold at least 50% of the shares in the Target Company held immediately following completion of the Acquisition, approval by the minority shareholders holding in aggregate 50% of the shares in the Target Company held by the minority shareholders (“**Substantial Shareholder Approval**”); or
- (iv) in the exercise of the Roll-Up Call Option described below.

Anti-dilution adjustments

The issue of securities in the Target Company may only take place:

- (i) subject to the pro-rata pre-emption rights of each shareholder;
- (ii) under an employee share plan, share option plan or similar plan approved by Substantial Shareholder Approval;
- (iii) if such securities are issued as consideration for an acquisition permitted under the Shareholders' Agreement on arms' length terms and for fair market value;
- (iv) as a means to remedy any undercapitalisation of the Target Company; or
- (v) as otherwise approved by Substantial Shareholder Approval.

Tag-along rights

If the Purchaser proposes to transfer any of its shares in the Target Company or any Biostime Holding Company to any third party (subject to certain exceptions including any transfer (i) to a co-investor up to 20% of the shares in the Target Company held by the Purchaser or 20% of the shares of a Biostime Holding Company, in the six months following completion of the Acquisition; or (ii) to a wholly-owned affiliate), each minority shareholder may require the Purchaser to make it a condition of such transfer that the third party buyer purchase up to all of the relevant minority shareholder's shares in the Target Company on a pro rata basis.

Drag-along rights

If the Purchaser proposes to transfer all of its shares in the Target Company or any Biostime Holding Company to any third party, it may require each of the minority shareholders to transfer all of its shares in the Target Company on the same terms and conditions.

Early exit rights

If the Roll-Up Call Option is not exercised on or before the third anniversary of completion of the Acquisition, or there is a change of control of Biostime Australia Holdings (but not, for the avoidance of doubt, any change of control in relation to the Company),

the minority shareholders shall have the right to initiate preparations for an exit by (i) appointing an internationally recognised investment bank; and (ii) dragging the Majority Shareholder into an exit in relation to the shares they hold in the Target Company (provided that Biostime Australia Holdings does not take up its first priority right to acquire all of the shares in the Target Company held by the minority shareholders).

Defaults

If an event of default occurs in relation to a shareholder of the Target Company, the non-defaulting shareholders have the right (but not the obligation) to acquire the shares in the Target Company held by the defaulting shareholder at 90% of fair market value. Events of default include:

- (i) a disposal of shares in the Target Company in breach of the Shareholders' Agreement, or other material unremedied breach of the Shareholders' Agreement;
- (ii) a change of control of a shareholder (which includes any change of control of Biostime Australia Holdings but not, for the avoidance of doubt, any change of control in relation to the Company); and
- (iii) certain customary insolvency events.

Matters reserved for Substantial Shareholder Approval

Certain specific matters are subject to Substantial Shareholder Approval, including:

- (i) fundamental changes in the nature of the Target Group's business;
- (ii) reorganisations of the share capital of any member of the Target Group where any minority shareholder would be disproportionately affected;
- (iii) giving of a loan or other financial assistance to a director of the Target Company or any of the minority shareholders (or their associates), subject to carve-outs in relation to the bridge facility under the Facility Agreement and any refinancing thereof;

- (iv) winding up and similar events in relation to any member of the Target Group;
- (v) borrowings or financial accommodation which results in the Target Group's ratio of net debt to EBITDA equalling 3.5 times or above;
- (vi) amendments to the Target Company's constitution;
- (vii) certain share issues and changes in share capital of any member of the Target Group, subject to carve-outs for issues among members of the Target Group; and
- (viii) certain related party transactions between the Target Group and the Group, except where on an arm's length basis.

Non-compete

The shareholders in the Target Company have each agreed to certain non-compete undertakings to protect the business of the Target Group, subject to customary exceptions.

THE ROLL-UP CALL OPTION DEED

The Purchaser and the Sellers entered into the Roll-Up Call Option Deed simultaneously with entry into of the Share Sale Agreement. The operative terms of the Roll-Up Call Option Deed will come into effect on completion of the Acquisition.

Under the Roll-Up Call Option Deed, the Purchaser will have the right (exercisable in its sole discretion) subject to the satisfaction of certain conditions described below, to require the Sellers to sell all of the shares they continue to hold in the Target Company after completion of the Acquisition, in exchange for an issue of shares representing an equivalent stake in Biostime Australia Holdings, at any time prior to the third anniversary of completion of the Acquisition.

Completion of the exercise of the Roll-Up Call Option is conditional on the following conditions have been fulfilled:

- (i) the approval of the transactions contemplated under the Roll-Up Call Option Deed by the Shareholders in accordance with Chapter 14 of the Listing Rules; and
- (ii) the Treasurer of the Commonwealth of Australia has either:

- (a) provided written notice which is unconditional or subject only to conditions acceptable to the Purchaser that there is no objection to the proposed acquisition of the shares in the Target Company that are the subject of the Roll-Up Call Option under the FATA or Australian foreign investment policy; or
- (b) become precluded from exercising any power to make an order under the FATA in relation to the proposed acquisition of the shares in the Target Company that are the subject of the Roll-Up Call Option.

On completion of the exercise of the Roll-Up Call Option (and assuming there are no other transactions in relation to the share capital of the Target Company prior to completion of the Roll-Up Call Option): (i) the Purchaser would hold the entire issued share capital of the Target Company; and (ii) Biostime Australia would hold an approximately 83% equity interest in Biostime Australia Holdings and the Sellers would hold an approximately 17% equity interest in Biostime Australia Holdings. On completion of the exercise of the Roll-Up Option, Biostime Australia, Biostime Australia Holdings and the Sellers would enter into a shareholders' agreement in the form annexed to the Roll-Up Call Option Deed (the "**Roll-Up Shareholders' Agreement**") and the Shareholders' Agreement described above in relation to the Target Company would terminate.

The principal terms of the Roll-Up Shareholders' Agreement would be identical to those in the Shareholders' Agreement described above, subject to; (i) amendments which purely reflect the fact that Biostime Australia Holdings is the relevant investee company rather than the Target Company; (ii) the removal of the provisions described in the paragraph titled "Early Exit Rights" under "The Shareholders' Agreement" above; and (iii) the grant of the Holdco Put Option and the Holdco Call Option as defined and described below.

"Holdco Put Option"

Each minority shareholder will have the right to require Biostime Australia to buy all of its shares in Biostime Australia Holdings on the third, fifth, sixth, seventh and eighth anniversaries of completion of the Acquisition.

"Holdco Call Option"

Biostime Australia will have the right to require any minority shareholder to sell all of its shares in Biostime Australia Holdings on the fifth, sixth, seventh and eighth anniversaries of completion of the Acquisition.

The price payable for the shares in Biostime Australia Holdings on completion of the exercise of the Holdco Put Option or the Holdco Call Option will be fair market value, as determined by an expert. In the case of an exercise of the Holdco Put Option (only) in the exercise period which immediately follows the third anniversary of completion

of the Acquisition, the fair market value of the relevant shares in Biostime Australia Holdings will be determined on the assumption that the financial indebtedness included in the Target Group at such time is the lower of: (i) net debt of the Target Group as at the date of such valuation; and (ii) 2.0x times the Target Group's consolidated earnings before interest, tax, depreciation and amortisation in the 12 calendar months preceding the date of such valuation.

The Company expects that it will be required to treat the exercise of the Roll-Up Call Option (including the entry into of the Roll-Up Shareholders' Agreement and the grant of the Holdco Put Option and Holdco Call Option) as aggregated with the Acquisition for the purposes of Rule 14.22 of the Listing Rules. This would result in one or more of the applicable percentage ratios in respect of the Acquisition and the exercise of the Roll-Up Call Option exceeding 100%. Accordingly, the exercise of the Roll-Up Call Option when aggregated with the Acquisition is likely to constitute a very substantial acquisition and would therefore be subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules at such time. The Company reserves the right to seek Shareholders' approval for the exercise of the Roll-Up Call Option and (to the extent necessary) the grant and possible future exercise of the Holdco Put Option and the Holdco Call Option in advance of any exercise of the Roll-Up Call Option and shortly after completion of the Acquisition.

THE FACILITY AGREEMENT

Key terms of the Facility Agreement

On 17 September 2015, the Company and Biostime HK entered into the Facility Agreement with, among others, ANZ and HSBC (as Mandated Lead Arrangers and Original Lenders). The Facility Agreement provides for up to USD450 million of bridge financing for the Acquisition and is repayable on the earlier of: (i) the date that is 364 days after the first utilisation date; and (ii) 30 November 2016. The Company intends to refinance the bridge facility advanced under the Facility Agreement as soon as possible after completion of the Acquisition.

The Facility Agreement contains a provision which is required to be disclosed to Shareholders pursuant to Rule 13.18 of the Listing Rules. If Mr. Luo Fei, Mr. Luo Yun, Mr. Cheng Fufang, Dr. Zhang Wenhui and Ms. Kong Qinjun collectively: (i) cease directly or indirectly to hold beneficially at least 65% of the issued share capital of the Company (except as a result of an issue of Shares as permitted under the Facility Agreement, in which case the threshold is reduced to the higher of 51% and (if the aggregate beneficial shareholding in the Company after such issue is equal to or less than 65% of the issued share capital of the Company) the aggregate beneficial shareholding in the Company after such issue); or (ii) cease to control the Company, then the bridge facility advanced under the Facility Agreement will be cancelled and the outstanding loans (together with accrued interest and all other amounts accrued under or related to the Facility Agreement) shall become immediately due and payable.

Security package to be granted in connection with the Facility Agreement

In connection with the Facility Agreement, security will be given over shares in certain of the Company's direct and indirect subsidiaries, namely Mama 100 International Holdings Limited, Mama 100 International Investment Limited, Biostime International Investment Limited, Biostime Healthy (BVI) Limited, Biostime Healthy (Cayman) Limited, Biostime Healthy II (BVI) Limited, Biostime HK, Biostime (Guangzhou) Health Products Limited, Biostime, Inc (Guangzhou), BM Care Baby Products Inc. (Guangzhou), Adimil (Changsha) Nutrition Products Limited, Biostime Australia, Biostime Australia Holdings and the Purchaser. These entities will also provide security over any intra-group receivables lent by them to other members of the Group. The Company will provide security over any structural intra-group loans associated with the Acquisition.

In addition, Biostime Healthy (BVI) Limited, Biostime Healthy (Cayman) Limited, Biostime Healthy II (BVI) Limited and Biostime HK will provide security over their accounts, book debts and certain contracts and Biostime Australia, Biostime Australia Holdings and Biostime HK will provide general (all assets) security, including security over the Purchaser's interest in the Share Sale Agreement and shares in the Target Company.

No security for the bridge facility is to be provided by the Target Group (however, subject to completing the necessary whitewash process to comply with Australian law, members of the Target Group are required to accede as guarantors within 45 days of completion of the Acquisition).

INFORMATION ON THE GROUP

The Group is principally engaged in providing premium paediatric 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.

INFORMATION ON THE TARGET GROUP AND THE SELLERS

The Target Group is principally engaged in research, marketing and distribution of vitamins, health supplements, skincare and sports nutrition products in Australia and New Zealand under the "Swisse" brand.

The Target Company is a private limited company incorporated in Australia. A trust to which Mr. Stephen Ring, the descendant of the Target Company's founder Mr. Kevin Ring, is the beneficiary is currently the majority shareholder of the Target Company, with the remaining shares held by the Target Company's current and former management.

MTGRP L.L.C., an investment holding company and a wholly-owned subsidiary of Goldman Sachs Group, Inc., currently holds approximately 0.3% of the shares in the Target Company and equity warrants in relation to approximately a further 4% of the shares in the Target Company. The equity warrants will be exercised by MTGRP L.L.C.

prior to completion of the Acquisition. All of the shares in the Target Company that are currently held by MTGRP L.L.C., and those that are to be acquired by MTGRP L.L.C. on exercise of the equity warrants, will be transferred to Fiske Pty Ltd (as trustee for the Ring Family Trust) prior to completion of the Acquisition. Accordingly, MTGRP L.L.C. is not party to the Share Sale Agreement and is not a Seller.

Financial Information on the Target Group

Set out below is the audited financial information of the Target Group for the years ended 30 June 2014 and 30 June 2015, and as at 30 June 2015, extracted from the consolidated audited financial statements of the Target Group. The Target Group's consolidated audited financial statements are prepared in accordance with Australian generally accepted accounting principles.

	For the year ended 30 June 2014 (audited) <i>(Note 1)</i>	For the year ended 30 June 2015 (audited)
Revenue from continuing operations	AUD125,550,569 (equivalent to approximately HKD694,445,307)	AUD313,064,953 (equivalent to approximately HKD1,731,624,868)
Earnings before interest, taxes, depreciation and amortization	AUD3,334,122 (equivalent to approximately HKD18,441,696)	AUD112,639,178 (equivalent to approximately HKD623,029,821)
Profit/(loss) before taxation from continuing operations	AUD(7,199,580) (equivalent to approximately HKD(39,822,317))	AUD102,531,095 (equivalent to approximately HKD567,119,993)
Profit/(loss) after taxation from continuing operations	AUD(5,613,024) (equivalent to approximately HKD(31,046,758))	AUD73,748,488 (equivalent to approximately HKD407,917,637)
Total comprehensive income/(loss) from continuing operations	AUD(6,791,741) (equivalent to approximately HKD(37,566,478))	AUD72,902,123 (equivalent to approximately HKD403,236,223)

As at 30 June 2015
(audited)

Net assets	AUD20,594,656 (equivalent to approximately HKD113,913,161)
------------	--

Note 1: The Target Group incurred AUD33,795,935 of losses from discontinued operations in the year ended 30 June 2014, which have been excluded from the table above.

An accountant's report on the consolidated financial information of the Target Group in the relevant period, presented under IFRS and complying with the requirements of Chapter 4 of the Listing Rules, will be set out in the circular in relation to the Acquisition to be despatched to Shareholders.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Currently, the Group is principally engaged in businesses related to infant nutrition and care products in the PRC, where it has established a strong base. While continuing to invest in growing its core business, the Board also sees the potential of utilizing its strong consumer base, innovative R&D and marketing models, as well as its strong distribution network to expand beyond existing business segments. With the ultimate goal of enhancing shareholder value, the Group has been consistently seeking complementary business opportunities to strengthen its product offering, operational efficiency and financial position. The Group has identified the market of premium family nutritional products as a potential area for development. The changing lifestyle and increasing awareness of personal health and well-being will continue to drive the demand of health and wellness products in the PRC and globally. The Group believes that such products are highly complementary to its existing product portfolio and can create synergies with its existing businesses. The acquisition of Swisse aligns with the Group's strategic goal.

Swisse is a strong player in the Australian vitamin, and herbal and mineral supplements segment. Swisse has a large and differentiated portfolio of premium nutrition supplement products across key categories and has displayed robust growth in recent years which it owes to its unique formulations, proven quality and track-record of innovation, together with an aspirational brand supported by strong sales and marketing teams. The strong appetite of Chinese consumers for overseas quality supplements is expected to support Swisse's strong momentum for growth. The Group believes that the Acquisition will enable Swisse to grasp this growing demand by growing internet sales while activating sales through the Group's extensive distribution channels, thus resulting in significant revenue synergies.

In addition, Swisse has embarked on a global market expansion strategy by entering into a collaboration agreement with PGT Healthcare LLP (a joint venture between Procter & Gamble and Teva Pharmaceutical Industries), with a plan to increase Swisse's global presence.

The Board believes that the Acquisition will benefit both the Group and Swisse, providing Swisse with a unique expansion platform in the PRC through the Group's extensive sales network, while providing the Group with a unique opportunity to enter into the adult supplements segment with a powerful and well received international brand. The partnership will also enable the Group to diversify and expand its geographic presence, not only in the Australian market but also internationally through Swisse's global collaboration agreement with PGT Healthcare LLP.

Swisse has displayed robust financial performance, displaying a compound annual growth rate in gross sales of approximately 28% between its financial years ended 30 June 2013 and 2015, while showing significant margin improvement and strong cash generating capabilities. As a result, the Acquisition is expected to be growth and margin accretive to the Group.

Apart from market expansion, the Board expects to achieve synergies from the Acquisition through sharing supplier bases for procurement, R&D, new product development, sales and marketing expenses, as well as in the sharing of best practices.

Swisse has an experienced senior management team, who will remain with the Target Group on completion of the Acquisition and will retain part of their shareholding in the Target Group. The Board believes such arrangement will help ensure a smooth transition to new ownership, align interests and incentivize Swisse's senior management team to continue drive performance and synergies within the Enlarged Group. The current chief executive officer of the Target Group, Mr. Radek Sali, has committed to the Company and the Target Company that he will remain with the Target Group for at least a year after completion of the Acquisition.

Having considered the above factors, the Directors are of the view that the Acquisition and the terms of the Share Sale Agreement (including the consideration for the Acquisition) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 25% but is less than 100%, as calculated under Rule 14.07 of the Listing Rules, the Acquisition constitutes a major transaction and is therefore subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition which is different from other Shareholders, and thus no Shareholder would be required to abstain from voting at a general meeting if such a general meeting were to be convened.

The Company has obtained written Shareholders' approval for the Acquisition pursuant to Rule 14.44 of the Listing Rules from Biostime Pharmaceuticals (China) Limited, the controlling shareholder of the Company which currently holds 450,000,000 Shares (representing approximately 73.84% of the issued share capital of the Company as at the date of this announcement). Accordingly, no Shareholders' meeting will be held to approve the Acquisition pursuant to Rule 14.44 of the Listing Rules.

GENERAL

A circular containing, among other things, (i) details of the Acquisition; (ii) financial and other information of the Target Group; (iii) certain pro forma financial information of the Group combined with that of the Target Group; and (iv) other information as required under the Listing Rules will be despatched to the Shareholders for information only on or before 12 October 2015.

In connection with the Acquisition, the Company retained HSBC as its sole financial adviser, Freshfields Bruckhaus Deringer as its Hong Kong and international legal counsel, Clayton Utz as its Australian legal counsel, Ernst & Young as its transaction services and tax adviser and Sarlat Advisory as its strategic adviser.

RESUMPTION OF TRADING

At the request of the Company and as announced on 17 September 2015, trading in the Shares (stock code: 1112) and the Company's debt securities (stock code: 6024) on the Stock Exchange was halted with effect from 9.00 a.m. (Hong Kong time) on 17 September 2015 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9.00 a.m. (Hong Kong time) on 18 September 2015.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this announcement:

“Acquisition”	the acquisition by the Purchaser of an approximately 83% equity interest in the Target Company from the Sellers, pursuant to the terms and conditions of the Share Sale Agreement
“ANZ”	Australia and New Zealand Banking Group Limited
“AUD”	Australian dollars, the lawful currency of Australia
“Biostime Australia”	Biostime Healthy Australia Pty Ltd, a company incorporated in Australia and an indirect subsidiary of the Company

“Biostime Australia Holdings”	Biostime Healthy Australia Holdings Pty Ltd, a company incorporated in Australia and an indirect subsidiary of the Company
“Biostime HK”	Biostime Healthy Hong Kong Limited, a company incorporated in Hong Kong and an indirect subsidiary of the Company
“Biostime Holding Company”	(following completion of the Acquisition) any holding company of the Purchaser, excluding the Company and any holding company of the Company
“Board”	the board of Directors
“Business Day”	a day on which banks are open for business in: (i) Hong Kong; (ii) the PRC; and (iii) Victoria, Australia, other than a Saturday, Sunday or public holiday
“Company”	Biostime International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1112)
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Consideration Shares”	the 20,513,085 Shares to be issued to the Sellers at an issue price of HKD13.48 each as part of the consideration for the Acquisition
“Covenantors”	Stephen Ring, Michael Saba, Radek Sali, Trevor O’Hoy, Adem Karafili, Michael Da Gama Pinto, Ulrich Algreen Irgens, Gary Graco, Michael Howard, Catherine Crowley and George Livery
“Director(s)”	director(s) of the Company
“Enlarged Group”	the Group and the Target Group, following completion of the Acquisition
“Facility Agreement”	the facility agreement dated 17 September 2015 in relation to a USD450 million bridge term loan facility entered into between, among others, the Company as the company, Biostime HK as the borrower, those subsidiaries of the Company named as original obligors, ANZ and HSBC as Mandated Lead Arrangers and HSBC as Agent and Security Agent

“FATA”	the Foreign Acquisitions and Takeovers Act 1975 (Cth)
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“HSBC”	The Hongkong and Shanghai Banking Corporation Limited
“IFRS”	International Financial Reporting Standards
“Last Trading Day”	16 September 2015
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Sellers”	(1) Michael Saba; (2) Kednel Pty Ltd (as trustee for the Sali Investment Trust); (3) Radek Sali; (4) Super Radek Pty Ltd (as trustee for the Super Radek Superannuation Fund); (5) O’Hoy Super Pty Ltd (as trustee for the Jennifer O’Hoy Superannuation Fund); (6) Trevor O’Hoy Nominees Pty Ltd as trustee for the Trevor O’Hoy Family Trust; (7) Ankara Holdings Pty Ltd (as trustee for the Ankara Family Trust); (8) Michael Rosario John Da Gama Pinto (as trustee for the DGP Trust); (9) Ulrich Algreen Irgens; (10) GFBR Nominees Pty Limited (as trustee for the George St Group Superannuation Fund); (11) Copper Blonde Pty Limited (as trustee for the MJ & MD Howard Family Trust); (12) Catherine Crowley; (13) CTC Consulting Pty Ltd (as trustee for The Crowley Family Trust); (14) Glankara Investments Pty Limited (as trustee for the Glankara Investments Super Fund); (15) George Livery and Lynne Maree Livery; (16) Michael Rosario John Da Gama Pinto and Amanda Da Gama Pinto (as trustees for the DGP Superannuation Fund)
“PRC”	the People’s Republic of China, and for the purpose of this announcement excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China

“Purchaser”	Biostime Healthy Australia Investment Pty Ltd, a company incorporated in Victoria, Australia and an indirect subsidiary of the Company
“Roll-Up Call Option”	the Purchaser’s right to require the Sellers to sell all of the shares they continue to hold in the Target Company after completion of the Acquisition, in exchange for an issue of shares representing an equivalent stake in Biostime Australia Holdings, at any time prior to the third anniversary of completion of the Acquisition under the Roll-Up Call Option Deed
“Roll-Up Call Option Deed”	the conditional call option deed dated 17 September 2015 entered into between the Purchaser, the Company and the Sellers
“Sellers”	Fiske Pty Ltd (as trustee for the Ring Family Trust) and the Management Sellers
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Agreement”	the conditional shareholders’ agreement in respect of the Target Company dated 17 September 2015 entered into between the Purchaser, the Company, the Target Company and the Sellers
“Share(s)”	ordinary shares of HKD0.01 each in the share capital of the Company
“Share Sale Agreement”	the conditional share sale agreement dated 17 September 2015 entered into between the Purchaser, the Sellers and the Company in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the same meaning ascribed to it under the Listing Rules
“Target Company”	Swisse Wellness Group Pty Ltd
“Target Group” or “Swisse”	the corporate group comprising each of the Target Company and its subsidiaries
“USD”	US dollars, the lawful currency of the United States of America
“%”	per cent.

For the purposes of this announcement, unless otherwise indicated, conversion of AUD and HKD is calculated at the exchange rate of AUD1 to HKD5.53. This exchange rate is for illustrative purpose only and does not constitute a representation that any amount has been, could have been, or may be exchanged at this or any other rate or at all.

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

Hong Kong, 17 September 2015

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.