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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)*

**VOLUNTARY ANNOUNCEMENT  
FINANCING AND SUPPLY AGREEMENT**

This is a voluntary announcement made by the Company.

The Board is pleased to announce that on 21 June 2012 (after trading hours), the Company and Arla Foods entered into a Financing and Supply Agreement, for a term of ten years. Pursuant to the Financing and Supply Agreement, the Company shall, within one month after signing of the Financing and Supply Agreement, provide to Arla Foods the Financing in the amount of DKK81.5 million (equivalent to approximately HK\$108 million), corresponding to 50% of Arla Foods' total investment for capacity expansion, for the purpose of acquiring and installing processing and packaging equipment at the production facility of Arla Foods in Denmark for the production of infant formula products to be supplied to the Company according to its specific requirements.

The Company shall through the Financing gain a right to (i) specified volume of supply of infant formula products from Arla Foods with a maximum volume of up to 20,000 tons per year beginning from 2015 and (ii) repayment of the Financing with interests accrued thereon.

The Financing shall be repaid by Arla Foods to the Company within a five-year period by deduction of a fixed amount per kilogram of the infant formula products supplied by Arla Foods to the Company in accordance with the Financing and Supply Agreement.

Pursuant to this agreement, the Company shall also purchase infant formula products from Arla Foods at a specified minimum purchase volume for each year during the term of the Financing and Supply Agreement.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Arla Foods and its ultimate beneficial owner(s) are Independent Third Parties.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCING AND SUPPLY AGREEMENT**

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

The Directors consider that the co-operation with Arla Foods can further enhance and secure the supply of premium quality infant formula products. The Directors believe that this will also optimize the procurement costs of the Company by economies of scale.

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

## **GENERAL**

**Shareholders and potential investors are reminded that regardless to the contents of this announcement, care should be exercised when dealing in the shares of the Company.**

## **DEFINITIONS**

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

“Arla Foods”	Arla Foods Amba, a cooperative with limited liability established in Denmark
“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 on the Stock Exchange
“Director(s)”	the director(s) of the Company
“DKK”	Danish Krone, the lawful currency of Denmark
“Financing”	the amount of DKK81.5 million (equivalent to approximately HK\$108 million) provided by the Company to Arla Foods, corresponding to 50% of the Arla Foods’ total investment in its capacity expansion as required under the Financing and Supply Agreement

“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
“Financing and Supply Agreement”	the Financing and Supply Agreement dated 21 June 2012 entered into between the Company and Arla Foods
“HK\$	Hong Kong dollar, the lawful currency of Hong Kong Special Administrative Region
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

*For the purpose of this announcement, the exchange rate of DDK1= HK\$1.3295 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes and does not constitute representations that any amount in DDK or HK\$ have been, could have been or may be converted at such rate.*

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

Hong Kong, 21 June 2012

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