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## **Biostime International Holdings Limited**

**合生元國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1112)**

### **DISCLOSEABLE TRANSACTIONS FRAMEWORK AGREEMENT – BOND SUBSCRIPTION AGREEMENT**

Reference is made to the announcement of the Biostime International Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 2 July 2013 (the “**Announcement**”) in relation to the Framework Agreement between certain members of the Group and ISM. Unless otherwise defined in this announcement, capitalized terms used in this announcement shall have the same meanings ascribed to them in the Announcement.

#### **THE BOND SUBSCRIPTION AGREEMENT**

Upon satisfaction of the Condition Precedent as prescribed in the Framework Agreement, the Company and ISM entered into the Bond Subscription Agreement on 30 July 2013, pursuant to which ISM will issue, and the Company will subscribe for, 17,477,075 Bonds (the “**Bond Subscription**”), with a nominal value of EUR1 (approximately HK\$10.2855) per Bond, in three separate tranches, at the subscription price equal to the nominal value of the Bonds, subject to fulfillment of relevant conditions precedent as specified in the Bond Subscription Agreement and compliance by ISM of the terms and conditions of the Bond Subscription Agreement.

The interest rate for the Bond was determined after arms’ length negotiations with reference to the prevailing market interest rate of bonds of similar nature. The Directors consider that the terms and conditions of the Bond Subscription are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **LISTING RULES IMPLICATION**

Pursuant to the Framework Agreement, Biostime Pharma subscribed for and ISM issued the Subscription Shares, representing 20% of the total issued share capital of ISM as enlarged by the issuance of the Subscription Shares at an aggregate subscription price of EUR2,522,925 on 2 July 2013. Upon satisfaction of the Condition Precedent as prescribed in the Framework Agreement, the Company and ISM entered into the Bond Subscription Agreement on 30 July 2013.

As the Share Subscription and Bond Subscription are both related to the Proposed Project, entered into by relevant members of the Group with the same party, the Board considers that it is appropriate to aggregate the Share Subscription and the Bond Subscription for the purpose of determining the relevant percentage ratios under Rules 14.15(2) and 14.22 of the Listing Rules. As certain aggregate applicable percentage ratios (as defined in the Listing Rules) are more than 5% but all of them are less than 25%, the Framework Agreement, the Bond Subscription Agreement and the transactions contemplated thereunder constitute discloseable transactions for the Company and are subject to the notification and announcement requirements set out in Chapter 14 of the Listing Rules.

Reference is made to the announcement of the Biostime International Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 2 July 2013 (the “**Announcement**”) in relation to the Framework Agreement between certain members of the Group and ISM. Unless otherwise defined in this announcement, capitalized terms used in this announcement shall have the same meanings ascribed to them in the Announcement.

## **THE BOND SUBSCRIPTION AGREEMENT**

Upon satisfaction of the Condition Precedent as prescribed in the Framework Agreement, the Company and ISM entered into the Bond Subscription Agreement on 30 July 2013, the particulars of which are set out below.

|  |   |
|--|---|
| <b>Date of the Bond Subscription Agreement</b> | 30 July 2013  |
| <b>Parties to the subscription</b>             | (1) Biostime International Investment Limited (“ <b>Biostime Investment</b> ”), a limited liability company incorporated in the British Virgin Islands and a directly wholly-owned subsidiary of the Company<br><br>(2) ISM   |
| <b>Bond issue and Bond Subscription</b>        | ISM undertakes to issue 17,477,075 Bonds in three separate tranches:<br><br>– Tranche A: 5,825,692 Bonds of a nominal value of EUR1 (approximately HK\$10.2855) per Bond on 1 August 2013;<br><br>– Tranche B: 5,825,692 Bonds of a nominal value of EUR1 (approximately HK\$10.2855) per Bond on 1 January 2014; and |

- Tranche C: 5,825,691 Bonds of a nominal value of EUR1 (approximately HK\$10.2855) per Bond on 1 July 2014.

Subject to fulfillment of relevant conditions precedent (see below) as specified in the Bond Subscription Agreement, as well as compliance by ISM of the terms and conditions of the Bond Subscription Agreement, Biostime Investment agrees to subscribe to the abovementioned three tranches of Bonds, and to pay the corresponding price on the corresponding date of issuance of relevant tranche (each an “**Issuance Date**”).

### **Conditions precedent**

The subscription of each tranche of the Bonds by Biostime Investment is subject to below conditions precedent:

- (1) By each Issuance Date, ISM has fully reimbursed and indemnified Biostime Investment of relevant expenses and allowances, and has fully paid of relevant registration fees and taxes as prescribed in the Bond Subscription Agreement;
- (2) By each Issuance Date, no event of default on the part of ISM as prescribed in the Bond Subscription Agreement has occurred; and
- (3) Before subscription of each tranche of the Bonds, ISM has delivered to Biostime Investment all the documents and certificates as prescribed in the Bond Subscription Agreement. These documents and certificates shall be to the satisfactory of Biostime Investment in both form and substance.

### **Subscription price**

The subscription price of each Bond will be equal to its nominal value, i.e. EUR1 (approximately HK\$10.2855).

The subscription price will be funded by internal resources of the Group. ISM undertakes to use the proceeds from issuance of Bonds exclusively for the purpose of the financing of the construction of the Facility.

### **Interest**

The Bonds bear interest from relevant Issuance Date at a rate of 5% per annum on the outstanding principal amount of the Bonds.

|  |  |
|--|--|
| <b>Transferability</b>                 | The Bonds are transferable, subject to prior approval by ISM.  |
| <b>Collateral</b>                      | <p>Full repayment of all amount owed by ISM to Biostime Investment under the Bond Subscription Agreement is secured by the following securities in the second rank:</p> <ul style="list-style-type: none"> <li>– mortgage over ISM’s existing and new buildings and equipment; and</li> <li>– pledge over ISM’s certain trademarks.</li> </ul> <p>The first rank of above securities was granted to the syndicate of banks, to secure the Loan.</p>                  |
| <b>Maturity date</b>                   | The maturity date of the Bonds shall be 30 July 2023, 10 years from the date of the Bond Subscription Agreement.   |
| <b>Early redemption</b>                | <p>Voluntary early redemption</p> <p>ISM may at its discretion, redeem all or part of the Bonds by giving irrevocable notice of at least 10 working days to Biostime Investment, with a minimum redemption amount of EUR1,000,000 (approximately HK\$10,285,500) of the nominal value of the Bonds.</p> <p>Mandatory early redemption</p> <p>ISM shall redeem all the Bonds in case of an initial public offering of its shares on any qualified stock exchange.</p> |
| <b>Repayment and rank of repayment</b> | <p>All outstanding principal amount of the Bonds shall be repaid by ISM upon maturity.</p> <p>The Bonds are direct commitments of ISM and rank, subject to collateral (see above), <i>pari passu</i> with all other unsecured and non-subordinated debt of ISM, subject to:</p> <ul style="list-style-type: none"> <li>– receivables of ISM which are preferred by operation of relevant applicable law; and</li> </ul>  |

- the terms of the subordination agreement entered into among the Company, ISM and a syndicate of banks (who provided ISM with loan, financing and credit facility in the total amount of EUR30,000,000 (approximately HK\$308,565,000, “**Loan**”) for the financing of the construction of the Facility) on 30 July 2013, pursuant to which any repayment or early repayment of the Bonds is subordinated to that of the Loans.

#### **Fees, expenses and taxes**

Each party will bear its own attorney’s fees and related taxes, relating to the negotiation, drafting and signing of the Bond Subscription Agreement, and any other related deeds, documents, and collateral.

In the event of non-payment at maturity by ISM of amounts due under the Bonds, all costs and expenses reasonably incurred by Biostime Investment related to the recovery of the amounts due under the Bonds or the rights of Biostime Investment under any of the collateral will be indemnified by ISM, subject to delivery by Biostime Investment of appropriate supporting documentation to ISM, unless such default of ISM is resulting from a failure not attributable to itself.

#### **Offsetting**

At the maturity date of the Bonds, in case of any default in repayment by ISM to Biostime Investment, Biostime Investment is allowed to offset the nominal value of the Bonds against any amount that is due to ISM.

#### **Events of default**

Pursuant to the Bond Subscription Agreement and the terms of the Bonds, upon occurrence of any of the events of default as specified in the Bond Subscription Agreement and the terms of the Bonds, Biostime Investment shall be entitled to relief measures including (i) regularization actions by ISM (if applicable); (ii) measures as determined by the parties through mutual consultation to remedy the event of default; and/or (iii) immediate repayment of principal amount outstanding under the Bonds, together with any interest, fees, expenses and taxes.

#### **INFORMATION ABOUT ISM**

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

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

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

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

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

As at 31 December 2012, the book value of the net asset of ISM was EUR36,896,966 (approximately HK\$379,503,743.79) (audited).

Upon completion of the Share Subscription pursuant to the Framework Agreement on 2 July 2013, Biostime Pharma, a directly wholly-owned subsidiary of the Company, owns 20% of the total issued share capital of ISM. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, ISM and its ultimate beneficial owners (other than the Company and its subsidiaries) are third parties independent of the Company and connected persons of the Company.

#### **INFORMATION ABOUT THE GROUP**

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

#### **REASONS FOR AND BENEFITS OF ENTERING INTO THE BOND SUBSCRIPTION AGREEMENT**

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

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

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

#### **LISTING RULES IMPLICATION**

Pursuant to the Framework Agreement, Biostime Pharma, a directly wholly-owned subsidiary of the Company, subscribed for and ISM issued the Subscription Shares, representing 20% of the total issued share capital of ISM as enlarged by the issuance of the Subscription Shares at an aggregate subscription price of EUR2,522,925 on 2 July 2013. Upon satisfaction of the Condition Precedent as prescribed in the Framework Agreement, the Company and ISM entered into the Bond Subscription Agreement on 30 July 2013.

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*For the purpose of this announcement, the exchange rate of EUR1 = HK\$10.2855 has been used for currency translation, where applicable. Such exchange rate is for illustration purposes and does not constitute representations that any amount in EUR or HK\$ have been, could have been or may be converted at such rate.*

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

Hong Kong, 30 July 2013

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