

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 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 TRANSACTION ACQUISITION OF CHANGSHA YINGKE AND RESUMPTION OF TRADING

THE EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 30 December 2013, Biostime Guangzhou and Biostime Health, each a direct wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendors to acquire 100% of equity interest in Changsha Yingke for a total cash consideration of RMB350,000,000. Changsha Yingke is principally engaged in the manufacture of infant formula products. Following the completion of the Acquisition, Biostime Guangzhou and Biostime Health will hold 99% and 1% equity interest, respectively, in Changsha Yingke which will become an indirect wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATION

As certain applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements set out in Chapter 14 of the Listing Rules.

RESUMPTION OF TRADING

At the request of the Board of the Company, trading in the shares of the Company on the Stock Exchange has been halted with effect from 03:05 p.m. on Monday, 30 December 2013 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on Tuesday, 31 December 2013.

This announcement is made by our Company pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and Rule 13.09 and Chapter 14 of the Listing Rules.

THE EQUITY TRANSFER AGREEMENT

On 30 December 2013, Biostime Guangzhou and Biostime Health, each a direct wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendors to acquire 100% equity interest in Changsha Yingke for a cash consideration of RMB350,000,000. The particulars of the Equity Transfer Agreement are summarised below:

- Date** : 30 December 2013
- Parties** : (1) the Vendors
(2) the Purchasers
- Subject** : Pursuant to the Equity Transfer Agreement, Biostime Guangzhou and Biostime Health will acquire 100% of equity interest in Changsha Yingke from the Vendors, out of which approximately 82.01% is held by Hunan Yahua and 17.99% is held by Hunan Changsha Yahua immediately prior to the completion of the Acquisition.
- Consideration** : The total consideration of the Acquisition is RMB350,000,000 which was determined by the parties after arm's length negotiation, taking into account the value of the assets of Changsha Yingke and the lines of products it is capable of producing. The consideration will be funded by internal resources of the Group.
- Payment** : The Purchasers have deposited the total Consideration of RMB350,000,000 into certain escrow accounts set up by the Purchasers with commercial banks in the PRC, to be released in three installments in the following manners:
- i. RMB280,000,000, being the first installment payment of the Consideration, shall be released to the Vendors on the day of the satisfaction of the following conditions: (1) the release of encumbrances attached to certain properties owned by Changsha Yingke; (2) issue of new business licence by the relevant Administration of Industry and Commerce to Changsha Yingke reflecting completion of the transfer of equity from the Vendors to the Purchasers and change of the legal representative of Changsha Yingke;
 - ii. RMB30,000,000, being the second installment payment of the Consideration, shall be released to the Vendors on the first business day following the settlement of certain outstanding payments to third parties by the Vendors; and

- iii. RMB40,000,000, being the third installment payment of the Consideration, shall be released to the Vendors on the first business day following the resolution of the outstanding issues relating to certain regulatory approvals in respect of the production facilities of Changsha Yingke and the successful renewal of the National Industrial Products Production Permit* (全國工業產品生產許可證) for the production of Changsha Yingke's infant formula products, which is valid until 14 March 2014.

Shareholding : Upon completion of the Acquisition, Biostime Guangzhou and Biostime Health will hold 99% and 1%, respectively, of the equity interest of Changsha Yingke. Changsha Yingke will become an indirect wholly-owned subsidiary of the Company and its financial results will be consolidated in that of the Group.

Conditions Precedent : The Equity Transfer Agreement is subject to and conditional upon the following conditions precedent:

- i. the Vendors having obtained the necessary approvals and authorisations from their respective board of directors and shareholders;
- ii. the Purchasers having obtained the necessary approvals and authorisations from their respective board of directors and shareholders;
- iii. the Acquisition having been approved in a shareholders' meeting of Changsha Yingke;
- iv. there being no actions taken or procedures initiated by any government bodies or creditor financial institutions that would restrict, prohibit or otherwise prevent the execution or performance of the Equity Transfer Agreement;
- v. the Vendor, the Purchasers and/or Changsha Yingke having received no prohibitions on the Acquisition issued by any government bodies of the PRC on the basis of antitrust or national security reviews;
- vi. there being no encumbrances attached to any other assets owned by Changsha Yingke;

- vii. Changsha Yingke having obtained certain National Industrial Products Production Permit* (全國工業產品生產許可證) for the production of infant formula, milk powder and rice cereal products from the relevant government bodies;
- viii. resignation of executive directors of Changsha Yingke who were appointed by the Vendors;
- ix. the Purchasers having completed all preliminary inspections and verifications of the assets of Changsha Yingke and being satisfied that the results showed no material adverse effects on the Acquisition;
- x. the entering into certain escrow agreements with the relevant parties with respect to the payment of Consideration as set out in the paragraph headed “Payment” above; and
- xi. the Purchasers having completed legal and financial due diligence and the results of which revealed no material adverse effects on the Acquisition.

Closing

- : Closing is to take place on the day of the completion of the transfer of equity or otherwise within the first business day following the completion of the transfer of equity and in any event, subject to the receipt of the first installment payment of the Consideration by the Vendors, no later than 31 January 2014 (or such other later date as agreed in writing by all parties to the Equity Transfer Agreement), at the office of Changsha Yingke (or such other places as agreed by all parties to the Equity Transfer Agreement).

On the date of the Closing, the Vendors shall deliver the closing documents stipulated under the Equity Transfer Agreement to the Purchasers, including the business license of Changsha Yingke reflecting the completion of Acquisition, National Industrial Products Production Permits granted to Changsha Yingke, new employment contracts entered into between certain employees and Changsha Yingke, all shareholders’ and directors’ resolutions and other corporate books and records, all company chops of Changsha Yingke, accounts and ledgers of Changsha Yingke, land use right certificates and property certificates in respect of the properties owned by Changsha Yingke and other documents related to Changsha Yingke and the matters contemplated under the Equity Transfer Agreement.

INFORMATION ABOUT CHANGSHA YINGKE

Changsha Yingke is a limited liability company established in the PRC on 26 November 2013 and an Independent Third Party. It is primarily engaged in the manufacture of infant formula products.

As Changsha Yingke was established on 26 November 2013, no information on the net profits of Changsha Yingke was available as at the date of this announcement.

As at the date of the Equity Transfer Agreement, the registered capital of Changsha Yingke was approximately RMB301.7 million and the paid-in capital of Changsha Yingke was approximately RMB211.2 million which was also the net asset of Changsha Yingke, representing primarily the fixed assets and intangible assets contributed by the Vendors to Changsha Yingke.

INFORMATION ABOUT THE VENDORS

Hunan Changsha Yahua is a limited liability company established in the PRC primarily engaged in the business of manufacture of infant formula, milk powder and rice cereal products. Hunan Yahua is a limited liability company established in the PRC primarily engaged in the business of manufacture of liquid milk and sales of infant formula products. Hunan Changsha Yahua and Hunan Yahua are sister companies, each wholly-owned by Hunan AVA Dairy Holdings Co., Ltd.* (湖南亞華乳業控股有限公司), a company established in the PRC and an Independent Third Party. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Vendors and their ultimate beneficial owners are Independent Third Parties.

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 EQUITY TRANSFER AGREEMENT

To leverage on the success of the Group's France-imported ADIMIL series milk powder launched in September 2013, the Group has decided to continue to develop the series in 2014 to capture the demands of high-end customers in fourth- and fifth-tier cities of the PRC by launching new products under such series. By utilizing Changsha Yingke's manufacturing capacity of 30,000 to 50,000 tons of infant formulas milk powder per year, the Group will manufacture the new products of the ADIMIL series using imported milk source and will be able to shorten the time required to supply the new products of the ADIMIL series to consumers. As the Group is committed on quality control, all products to be manufactured by Changsha Yingke will strictly follow the quality control systems that have been consistently implemented throughout the Group to ensure the products are safe and of the qualities demanded by our customers.

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

LISTING RULES IMPLICATION

As certain applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition are over 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and announcement requirements set out in Chapter 14 of the Listing Rules.

RESUMPTION OF TRADING

At the request of the Board of the Company, trading in the shares of the Company on the Stock Exchange has been halted with effect from 03:05 p.m. on Monday, 30 December 2013 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the shares of the Company on the Stock Exchange with effect from 9:00 a.m. on Tuesday, 31 December 2013.

DEFINITIONS

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

“Acquisition”	the purchase of 100% equity interest in Changsha Yingke by the Purchasers from the Vendors pursuant to Equity Transfer Agreement
“Biostime Health”	Biostime (Guangzhou) Health Products Limited (合生元(廣州)健康產品有限公司), a limited liability company established in the PRC on 25 December 2006 and a direct wholly-owned subsidiary of the Company
“Biostime Guangzhou”	BiosTime, Inc. (Guangzhou)* (廣州市合生元生物製品有限公司), a limited liability company established in the PRC on 3 August 1999 and a direct wholly-owned subsidiary of the Company
“Board”	the board of Directors of the Company
“Changsha Yingke”	Changsha Yingke Nutrition Products Company Limited* (長沙營可營養品有限公司), a limited liability company established in the PRC and an Independent Third Party

“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
“Consideration”	the total consideration of RMB350,000,000 under the Acquisition
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	an equity transfer agreement dated 30 December 2013 and entered into between the Purchasers (as purchasers) and the Vendors (as vendors), pursuant to which the Vendors have agreed to transfer the entire equity interest in Changsha Yingke to the Purchasers at the consideration of RMB350,000,000 in aggregate
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong Special Administrative Region
“Hunan Changsha Yahua”	Hunan Changsha AVA Dairy Company Limited* (湖南長沙亞華乳業有限公司), a limited liability company established in the PRC and an Independent Third Party
“Hunan Yahua”	Hunan AVA Dairy Company Limited* (湖南亞華乳業有限公司), a limited liability company established in the PRC and an Independent Third Party
“Independent Third Party(ies)”	third party(ies) that is(are) independent of the Company and connected persons (as defined under the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchasers”	Biostime Guangzhou and Biostime Health
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Vendors” Hunan Yahua and Hunan Changsha Yahua, who together hold the entire equity interest in Changsha Yingke immediately prior to the completion of the Acquisition

“%” per cent

* denotes English translation of the name of a Chinese company or entity or vice versa and is provided for identification purposes only.

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

Hong Kong, 30 December 2013

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