

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)

SUPPLEMENTAL ANNOUNCEMENT CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE STRUCTURE CONTRACTS

Reference is made to the announcement of Biostime International Holdings Limited (the “**Company**”) dated 30 June 2014 (the “**Announcement**”). Unless otherwise stated, terms defined in the Announcement shall have the same meanings when used in this announcement.

In addition to the particulars of the Structure Contracts set out in the Announcement, the Board would like to provide the following further information about the Structure Contracts, Guangzhou Hapai and Mama100 E-commerce to the shareholders of the Company.

FURTHER INFORMATION ABOUT THE STRUCTURE CONTRACTS

Reasons for entering the Structure Contracts

Under the relevant rules and regulations in the PRC, foreign investors are not allowed to hold more than 50% of the equity interest of a company providing value-added telecommunications services including e-commerce. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience and a proven track record in operating value-added telecommunications businesses.

As a result of such restrictions, the Company or its wholly-owned subsidiaries in the PRC is not allowed to hold the entire equity interest of any company established under the laws of the PRC which is engaged in e-commerce in the PRC or carry out such e-commerce activities directly under the relevant PRC laws and regulations. Mama100 E-commerce was established for the purpose of enabling the Group to operate its e-commerce platform and it has also obtained the Internet Content Provider License (增值電信業務許可證).

Due to the above mentioned legal restrictions, the Group entered into the Structure Contracts in order to conduct the e-commerce business as contemplated under the Structure Contracts through Mama100 E-commerce.

As soon as the relevant laws and regulations in the PRC allows the business to be operated by the Group without the Structure Contracts, the Group will unwind the Structure Contracts, including but not limited by way of exercising the call option under the Exclusive Call Option Agreement to acquire the equity interest of Mama100 E-commerce.

Business Model of Mama100 E-commerce

The business model of Mama100 E-commerce under the Structure Contracts is as below:

- Mama100 E-commerce maintains and operates online platforms through (i) its self-owned website and mobile application, and (ii) online stores established on third parties' platforms, including WeChat (微信), Tmall (天貓) and Jing Dong (京東). These online platforms are to be utilized for online sales of the Group's products. Mama100 E-commerce itself does not own any of the Group's products, the products are owned by the specialty stores through purchases from the distributors of the Group.
- Once a customer places an order of products with any of Mama100 E-commerce's online platforms and makes respective payment to Mama100 E-commerce (mainly through online payment methods such Alipay (支付宝), online bank and etc), Mama100 E-commerce will notify and refer the customer order to the specialty store located nearest to that customer, and such specialty store will arrange delivery of the ordered products to the said customer.
- Mama100 E-commerce will then make weekly or daily (depending on the requirement of the respective online platform) settlement with the relevant specialty stores by (i) forwarding the respective payments of ordered products it received from the customers to the relevant specialty stores (as the relevant product delivered to the customer was originally owned by the relevant specialty store, instead of Mama100 E-commerce), and (ii) at the same time charging such specialty stores for service fees in respect of the referral of product orders and online services provided.

(the above business model is referred to as “**O2O Business**”)

The Company is of the view that the Group will benefit from the O2O Business of Mama100 E-commerce in the following aspects:

- the profit to be generated by Mama100 E-commerce under the O2O Business will be consolidated into the Group as a result of the Structure Contracts: and
- the O2O Business will provide an additional sales channel and platform to the specialty stores which could enhance the sales efficiency of the Group’s products by such specialty stores via internet at a lower cost, and will in turn substantially increase the sales volume of the Group’s products to its distributors and accordingly, the Group’s revenue and profit.

Authorization to seize assets of Mama100 E-commerce

As disclosed in the Announcement, each of the Mama100 Shareholders executed a Power of Attorney pursuant to the Business Management Agreement. Pursuant to the Power of Attorneys and the Business Management Agreement, Mama100 Shareholders shall ensure that Mama100 E-commerce will not engage in any transaction that may materially affect, among other things, the assets of Mama100 E-commerce without the prior written consent of the Guangzhou Hapai. In addition, Guangzhou Hapai has been authorized to exercise all rights of the relevant Mama100 E-Commerce Shareholders as shareholders of Mama100 E-commerce under applicable laws and the articles of association of Mama100 E-commerce. As advised by the legal advisor of the Company as to the laws of the PRC, King & Wood Mallesons, the Business Management Agreement and the Power of Attorneys include the authorization that, in the event of liquidation or winding up of Guangzhou Hapai, the liquidator of Guangzhou Hapai, acting on the Structured Contracts, can seize Mama100 E-commerce’s assets for the benefit of the Guangzhou Hapai’s shareholder(s) or creditor(s).

Service fees under the Exclusive Management and Consultancy Service Agreement

Under the Exclusive Management and Consultancy Service Agreement, Guangzhou Hapai is entitled to charge Mama100 E-commerce quarterly for service fees at a range of 90% to 100% of the total amount of net profit of Mama100 E-commerce for the corresponding period in accordance with the volume of the services provided because it is commercially agreed by both parties that the net profit of Mama100 E-commerce is generated as a result of the management and consultancy services provided by Guangzhou Hapai, including technical service, network support, business consulting and other services, and therefore not less than 90% of the total amount of net profit of Mam100 E-commerce should be paid to Guangzhou Hapai. The reason for leaving a maximum of 10% of the total amount of net profit in the reserve of Mama100 E-commerce is to meet the general working capital of Mama100 E-commerce for daily operation.

Scope of services under the Promotion Service Agreement

As disclosed in the Announcement, the types of services to be provided by Mama100 E-commerce under the Promotion Service Agreement include (i) promotional service through Mama100 E-commerce's website, such as design and display of online advertising materials and advertisements; (ii) promotional event planning and relevant promotion material designing and (iii) promotional service, such as online advertising and conduct online marketing campaign, through other third party channels.

For (i) promotional service through Mama100 E-commerce's website, the service to be provided is performed through Mama100 E-commerce's website. For (ii) promotional event planning and relevant promotion material designing and (iii) other promotional service through other third party channels, even though they are not performed through Mama100 E-commerce's website, they are associated with and ancillary to the service to be provided under type (i) and therefore both parties considered that it would be more practically and cost efficient to have Mama100 E-commerce providing all three types of promotional services to Guangzhou Biostime.

Annual Caps for the Structure Contracts

The Annual Caps for the Structure Contracts for the three years ending 31 December 2016 as disclosed in the Announcements represent the proposed aggregate of the transactions contemplated under the Exclusive Management and Consultancy Service Agreement and the License Agreements. Please see below a further breakdown of the Annual Caps for the Structure Contracts:

| | 2014 | 2015 | 2016 |
|--|------------------|------------------|-------------------|
| | <i>(in RMB)</i> | <i>(in RMB)</i> | <i>(in RMB)</i> |
| Exclusive Management and Consultancy | | | |
| Service Agreement | 5,220,000 | 6,900,000 | 8,520,000 |
| License Agreements | 510,000 | 900,000 | 1,540,000 |
| <i>Total (on an aggregated basis)</i> | 5,730,000 | 7,800,000 | 10,060,000 |

The Annual Caps of the Exclusive Management and Consultancy Service Agreement are calculated with reference to the prevailing market price, the scope of services and the estimated volume of the services to be provided by the Group to Mama100 E-commerce, which include but not limited to technical service, network support, business consulting and other services and support.

The Annual Caps of the License Agreements are calculated with reference to the prevailing market rate for trademark licensing, the expected utilization frequency of such registered trademarks and trademarks under registration process by Mama100 E-commerce.

Dispute resolution

Pursuant to the Structure Contracts, any dispute arising from the validity, interpretation and performance of the Structure Contracts between the parties thereto should first be resolved through negotiation, failing which any party may submit the said dispute to the Guangzhou Arbitration Commission with a view to resolving the dispute through arbitration in accordance with the arbitration rules thereof. The arbitral tribunal may award remedies over the shares or land assets of Mama10 E-Commerce, injunctive relief (such as stipulating certain conducts of business or compelling transfer of assets) or order the winding up of Mama10 E-Commerce (the “**Arbitral Award Provisions**”).

The Structure Contracts also provide that pending formation of the arbitral tribunal or in appropriate cases, the courts of Hong Kong, the Company’s place of incorporation (the Cayman Islands), Mama100 E-commerce’s place of establishment (the PRC), the jurisdiction where the principal assets of the Company and Mama100 E-commerce are located (the PRC) have the power to grant interim remedies in support of the arbitration (the “**Interim Remedies Provisions**”).

However, as advised by the legal advisor of the Company as to the laws of the PRC, King & Wood Mallesons, according to the PRC laws and regulations, the arbitral tribunal normally would not grant such kind of remedies or injunctive relief or winding up order of such PRC operational entities as Mama100 E-commerce under the PRC laws and regulations. For instance, the arbitral tribunal has no authority to grant such injunctive relief, nor will it be able to order the winding up of the PRC operational entities pursuant to existing PRC laws and regulations. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and Cayman Islands may not be recognizable or enforceable in China.

Conflict of interests

The Company confirms that appropriate arrangements have been made to address the potential conflict of interests between the shareholders of Mama100 E-commerce and the Group. In particular, the Undertakings executed by the registered shareholders of Mama100 E-commerce in favour of Guangzhou Hapai provide that he/she will neither, directly or indirectly, participate or be engaged in any business which is or may be in competition with the business of Mama100 E-commerce or its associated company, or acquire or hold any such business, nor carry on any activities which may lead to any conflict of interest between himself/herself and Guangzhou Hapai. Please refer to the paragraph headed “The Transactions – A. The Structure Contracts – The Structure Contracts – (5) Power of Attorneys and Undertakings” for details of the Undertakings.

Renewal of the Structure Contracts

As disclosed in the Announcement, the Company entered into each of the applicable Structure Contracts for a term commencing from 27 June 2014 and ending on 31 December 2016. Under the applicable Structure Contracts, the Company has the right to renew such Structure Contracts before the expiration of the relevant Structure Contracts unilaterally under the existing terms or at terms to be further agreed between the relevant parties.

Legality and Enforceability of the Structure Contracts

The Group's PRC legal advisor, King & Wood Mallesons, confirmed that (i) the Structure Contracts comply with the relevant laws and regulations in the PRC applicable to Mama100 E-commerce and the respective articles of association of Mama100 E-commerce and Guangzhou Hapai; (ii) Mama100 E-commerce has obtained the necessary approvals and licenses to conduct the O2O Business in the PRC under the relevant PRC laws and regulations; (iii) the Structure Contracts would not be deemed as concealing illegal intentions with a lawful form and void under the PRC Contract Law (《中華人民共和國合同法》); and (iv) the "Notice Regarding the Consistent Implementation of the 'Stipulations on Three Provisions' of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Internet Games" (Xin Chu Lian [2009] No. 13) (《關於貫徹落實國務院<“三定”>規定和中央編辦有關解釋，進一步加強網路遊戲前置審批和進口網路遊戲審批管理的通知》(新出聯[2009]13號)) promulgated by the PRC government does not apply to the current business of Mama100 E-commerce. The Group's PRC legal advisor has also consulted the Guangdong Communication Administration (廣東通訊管理局), being a competent authority in the PRC in regulating companies providing value-added telecommunications services in Guangdong, including Mama100 E-commerce, regarding the Structure Contracts, and the Guangdong Communication Administration did not raise any objection to the Structure Contracts.

As disclosed in the Announcement, the shareholders of Mama100 E-commerce have executed the Power of Attorneys and the Undertakings, pursuant to which appropriate arrangements have been made to protect the Company's interests in the event of death, bankruptcy or divorce of Mama100 E-commerce's registered shareholders to avoid any practical difficulties in enforcing the Structured Contracts. Please refer to the paragraph headed "The Transactions – A. The Structure Contracts – The Structure Contracts – (5) Power of Attorneys and Undertakings" for details of the Undertakings.

As advised by the legal advisor of the Company as to the laws of the PRC, King & Wood Mallesons, other than the Arbitral Award Provisions and the Interim Remedies Provisions, which may not be enforced under the relevant laws of the PRC, all the contractual rights and obligations under the Structure Contracts are enforceable under PRC laws. Based on the legal advice from King & Wood Mallesons, the Directors believe that, other than the Arbitral Award Provisions and the Interim Remedies Provisions, each of the Structure Contracts which confer significant control and economic benefits from Mama100 E-commerce to Guangzhou Hapai is enforceable under the relevant laws and regulations of the PRC.

Consolidation of financial results

The Company has discussed with its auditors regarding the consolidation of the financial results of Mama 100 E-commerce under the prevailing accounting principles. Based on the Structure Contracts and the legal opinion provided by the Company's PRC legal advisor, King & Wood Mallesons, the auditors concurred with the Company that it is appropriate to consolidate the financial results of Mama 100 E-commerce under the prevailing accounting principles.

Reasons for entering into the Structure Contracts by the shareholders of Mama100 E-commerce

As disclosed in the Announcement and this announcement, Mama100 E-commerce is a company newly established for the purpose of enabling the Group to operate its e-commerce platform and has no operation track record or substantial assets, and that the financial results of Mama100 E-commerce will be consolidated into the Group as a result of the Structure Contracts, it is therefore commercially agreed by the Group and the shareholders of Mama100 E-commerce to enter into the Structure Contracts without incurring any consideration payable to the shareholders of Mama100 E-commerce.

Risks involved in the Structure Contracts

As the primary beneficiary of Mama100 E-commerce, the Group is exposed to the business risks and financial risks faced by Mama100 E-commerce. While the Group will pay service fees to Mama100 E-commerce for its services under the Promotion Service Agreement of at least RMB120,000 per month, there is no assurance that Mama100 E-commerce will generate any profit which can be paid to the Group through the Exclusive Management and Consultancy Service Agreement and Business Management Agreement. Any profit or loss of Mama100 E-commerce (net of intra-group transactions) will be reflected in the consolidated financial results of the Group.

The exercise of the Exclusive Call Option Agreement is subject to applicable laws and regulations of the PRC. There is no assurance that the acquisition of the entire equity interests in Mama100 E-commerce held by the Mama100 Shareholders under the Exclusive Call Option Agreement will be permitted in the future, or whether such acquisition will incur any costs and expenses to the Group in addition to the consideration stipulated under the Exclusive Call Option Agreement. Due to these limitations, the transfer of ownership in Mama100 E-commerce pursuant to the exercise of the call option under the Exclusive Call Option Agreement may still subject to substantial costs.

The Group's PRC legal advisor, King & Wood Mallesons, is of the opinion that as at the date of this announcement, the execution, delivery and performance of the Structure Contracts by each of the parties thereto, is in compliance with (i) the provisions under the articles of association of such party and (ii) any applicable PRC laws and regulations. However, as disclosed in the Announcement, as advised by the Company's PRC legal advisor, King & Wood Mallesons, the interpretation and implementation

of the laws and regulations concerning the foreign investment in the PRC, and their application to and effect on the legality, binding effect and enforceability of contracts, are subject to the discretion of competent PRC legislative, administrative and judicial authorities. In particular, there is no assurance that PRC legislative, administrative or judicial authorities will not adopt a different or contrary interpretation or view against view of the Company and its legal advisor in respect of the legality, binding effect and enforceability of the Structure Contracts, and may determine that the contracts do not comply with applicable regulations.

Further, the Structure Contracts may not provide control over Mama100 E-commerce as effective as direct ownership; the registered shareholders of Mama100 E-commerce may have potential conflicts of interest with the Company; and the Structure Contracts may be subject to scrutiny of the tax authorities and additional tax may be imposed on the Group.

We believe that there are limited business insurance products available in the market, and to the best knowledge of our Directors, no insurance products specifically designed for protecting the risks relating to the Structure Contracts are available in the PRC market. Further, it is not compulsory for Mama100 E-commerce to maintain an insurance policy to cover risks relating to the Structure Contracts under the applicable PRC laws and regulations. Accordingly, the Group has not purchased any insurance to cover the above risks.

Internal control

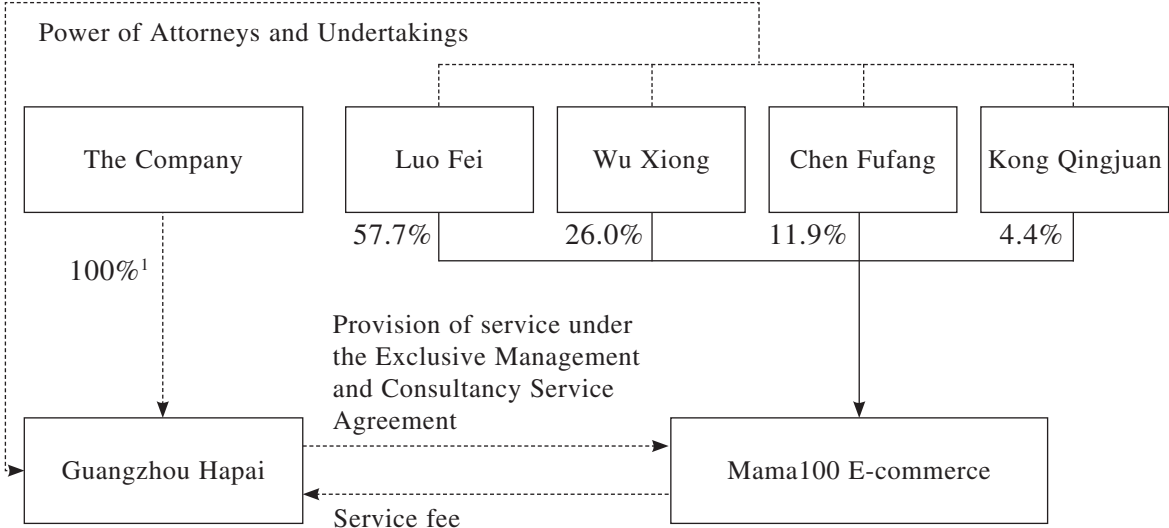
The Company has put in place effective internal controls over Guangzhou Hapai and Mama100 E-commerce to safeguard its assets held through the Structure Contracts. As a wholly-owned subsidiary of the Company, Guangzhou Hapai is subject to all the internal control process and procedures applicable to the Group.

The operations of Mama100 E-commerce are exclusively controlled by Guangzhou Hapai through the Structure Contracts and the Group has applied its internal control processes and procedures to Mama100 E-commerce. In particular, pursuant to the Structure Contracts, (i) Guangzhou Hapai has the right to appoint, and has appointed, the directors, general manager, chief financial officer and other senior management of Mama100 E-commerce and Guangzhou Hapai has the right to hire and terminate employees of Mama100 E-commerce; (ii) the shareholders of Mama100 E-commerce are not allowed to dispose of any assets without the prior written consent of Guangzhou Hapai.

FURTHER INFORMATION ON GUANGZHOU HAPAI AND MAMA100 E-COMMERCE

Corporate Structure

The following chart illustrates the relationship between the Company, Guangzhou Hapai, Mam100 E-commerce and its shareholders after the Structure Contracts have come into effect.



Note:

- 1. *Guangzhou Hapai is indirect wholly-owned by the Company.*

Other information

Apart from Mama100 E-commerce, Guangzhou Hapai does not generate revenue from any other subsidiaries of the Company.

As at the date of this announcement, Guangzhou Hapai has not encountered any interference or encumbrance from any governing bodies in operating its business through Mama100 E-commerce under the Structured Contracts.

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

Hong Kong, 20 November 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.