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# **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)**

## **RENEWAL OF CONTRACTUAL ARRANGEMENTS CONTINUING CONNECTED TRANSACTIONS**

### **SUMMARY**

As disclosed in the Announcements, the Group entered into the 2014 Structure Contracts on 27 June 2014 in relation to Mama100 E-commerce. The 2014 Structure Contracts will expire on 31 December 2016. In order to continue to conduct the e-commerce business as contemplated under the 2014 Structure Contracts, the Group entered into the Structure Contracts on 30 December 2016.

As at the date of this announcement, Mama100 E-commerce is owned as to 57.7% by Mr. Luo Fei, 26% by Mr. Wu Xiong, 11.9% by Mr. Chen Fufang and 4.4% by Ms. Kong Qingjuan. Mr. Luo Fei is an executive Director, each of Mr. Wu Xiong and Mr. Chen Fufang is a non-executive Director and Ms. Kong Qingjuan was a former executive Director within 12 months before the date of the Structure Contracts. In addition, Mr. Luo Fei is also the chief executive officer of the Company. Mama100 E-commerce, an associate of Mr. Luo Fei, is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, each of the Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Having considered that each of the Transactions has been entered into by the Group with the same party, namely, Mama100 E-commerce and/or the Mama100 Shareholders, and are for the same purpose of enabling the Group to conduct e-commerce activities for the Group's products, the Directors consider that each of the Transactions shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio (other than the profits ratio) in relation to the largest Annual Caps for the Transactions in aggregate is more than 0.1% but less than 5%, each of the Transactions fall within either Rule 14A.76(2) of the Listing Rules and is subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

Reference is made to the Announcements. As disclosed in the Announcements, the Group entered into the 2014 Structure Contracts on 27 June 2014 in relation to Mama100 E-commerce. All of the 2014 Structure Contracts will expire on 31 December 2016. In order to continue to conduct the e-commerce business as contemplated under the 2014 Structure Contracts, the Group entered into the Structure Contracts on 30 December 2016.

## **THE STRUCTURE CONTRACTS**

### **Overview**

The Group generally sells its products to regional distributors and such distributors further distribute the products through different types of retail sales channels, including but not limited to specialty stores owned and operated by third parties. The Group also sells and promotes its products through internet platforms operated by Mama100 E-commerce.

Prior to 10 April 2015, under the relevant rules and regulations in the PRC, foreign investors were not allowed to hold more than 50% of the equity interest of a company providing value-added telecommunications services including e-commerce. Mama100 E-commerce was established for the purpose of enabling the Group to operate its e-commerce platform. Mama100 E-commerce has obtained the Internet Content Provider License (增值電信業務許可證) as an “Internet Content Provider” (“ICP”) and is allowed to conduct e-commerce businesses. Therefore, the Group entered into the 2014 Structure Contracts with Mama100 E-commerce to conduct the e-commerce business.

In 2014, the Group entered into legal arrangement with Mama100 E-commerce through a series of contracts, namely the 2014 Structure Contracts, in order to conduct and develop the Group’s the e-commerce business and in particular its O2O Business.

Pursuant to the 2014 Structure Contracts:

- (i) the Group is able to exercise control over Mama100 E-commerce;
- (ii) the Group has the right to govern the management of Mama100 E-commerce;
- (iii) the Group has the right to deal with the assets of Mama100 E-commerce;
- (iv) the Group has the right to acquire the entire equity interest in Mama100 E-commerce (as and when the PRC relevant rules and regulations allow it to do so);
- (v) the Company is able to consolidate the financial results of Mama100 E-commerce into the Group’s results from the commencement date of the 2014 Structure Contracts; and

- (vi) none of the shareholders of Mama100 E-commerce, namely, Mr. Luo Fei, Mr. Wu Xiong, Mr. Chen Fufang and Ms. Kong Qingjuan, will obtain or receive any financial or commercial benefits from his respective interest in Mama100 E-commerce under the 2014 Structure Contracts despite holding direct or indirect equity interests in Mama100 E-commerce.

Since 19 June 2015, new rules and regulations have been promulgated by the PRC government under which foreign invested enterprise established under the laws of the PRC where foreign investors hold more than 50% of the equity interests could apply the Electronic Data Interchange Permit (增值電信業務經營許可證 (在線數據處理與交易業務)) from the relevant PRC authority and is allowed to engage in e-commerce business.

However, as the relevant policy is not yet clear and there is no specific implementation guidance as to the regulation of foreign investors in the value-added telecommunication business in the PRC, the e-commerce business still could not be transferred to the Group for operation.

All of the 2014 Structure Contracts will expire on 31 December 2016. In order to continue the contractual arrangements between the Group and Mama100 E-commerce, the Company entered into the Structure Contracts on 30 December 2016.

As soon as the relevant rules, regulations or policy in the PRC become clear and there is specific implementation guidance as to allow 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.

### **The Structure Contracts**

Each of the Structure Contracts is dated 30 December 2016. The term of each of the Structure Contracts is from 1 January 2017 to 31 December 2019, both dates inclusive.

The major provisions of the key Structure Contracts are summarized as follows:

*(1) Exclusive Management and Consultancy Service Agreement*

Pursuant to the Exclusive Management and Consultancy Service Agreement entered into between Guangzhou Hapai, an indirect wholly-owned subsidiary of the Company, and Mama100 E-commerce, Guangzhou Hapai has the exclusive right to provide management and consultancy services to Mama100 E-commerce during the Term. Such services include but are not limited to technical service, network support, business consulting and other services as required by Mama100 E-commerce and allowed under the PRC law.

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 Mama100 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.

(2) *Equity Interests Pledge Agreement*

Pursuant to the Equity Interests Pledge Agreement entered into by and among Guangzhou Hapai and the Mama100 Shareholders, the Mama100 Shareholders agreed to pledge all of their respective equity interests in Mama100 E-commerce to Guangzhou Hapai as security for the performance of the obligations under the relevant Structure Contracts until all such obligations are discharged to the satisfaction of Guangzhou Hapai.

(3) *Exclusive Call Option Agreement*

Pursuant to the Exclusive Call Option Agreement entered into by and among Guangzhou Hapai, Mama100 E-commerce and the Mama100 Shareholders, Guangzhou Hapai is irrevocably entitled to, as and when permitted by applicable PRC laws and regulations during the Term, acquire the entire equity interests in Mama100 E-commerce held by the Mama100 Shareholders for a consideration in the amount of RMB10,000, or when appraisal is required under PRC law, 1% of the appraisal price or at the lowest price permitted by the then applicable PRC laws and regulations.

(4) *Business Management Agreement*

Pursuant to the Business Management Agreement entered into by and among Guangzhou Hapai, Mama100 E-commerce and Mama100 Shareholders, among other things, during the Term:

- (i) the Mama100 Shareholders will procure Mama100 E-commerce not to enter into any transaction which may materially affect its assets, business operation, human resources, right and obligations, unless upon prior written consent from Guangzhou Hapai or any third party designated by Guangzhou Hapai;

- (ii) Mama100 E-commerce and Mama100 Shareholders agree to strictly implement relevant proposals from Guangzhou Hapai from time to time in relation to Mama100 E-commerce's recruitment and dismissal of employee, business management, financial management and so on; and
- (iii) each of the Mama100 Shareholders agrees to, upon receiving any dividend or any other earnings or income from Mama100 E-commerce as its shareholder, immediately and unconditionally pay or transfer at nil consideration of all such earnings or income to Guangzhou Hapai.

(5) *Power of Attorneys and Undertakings*

Pursuant to the Business Management Agreement, each of the Mama100 Shareholders executed a Power of Attorney dated 30 December 2016 pursuant to which he/she irrevocably authorized Guangzhou Hapai to, among other things:

- (i) attend shareholder meetings of Mama100 E-commerce on his/her behalf;
- (ii) exercise all his/her rights of shareholders and voting rights in Mama100 E-commerce, including but not limited to selling, transferring, pledging or otherwise dealing in all or any of the equity interests in Mama100 E-commerce; and
- (iii) appoint the directors, general manager, chief financial officer and other management level personnel of Mama100 E-commerce.

The board of directors of Guangzhou Hapai is entitled to authorize any person to exercise the rights which Guangzhou Hapai is authorized to exercise under the Power of Attorneys.

In addition, each of the Mama100 Shareholders executed an Undertaking dated 30 December 2016 pursuant to which he/she irrevocably undertakes, among other things, that:

- (i) any successor to him/her shall hold the respective equity interest in Mama100 E-commerce subject to the conditions, requirements and obligations under the Undertaking and the Structure Contracts;
- (ii) his/her respective equity interest in Mama100 E-commerce does not form part of the community property, and his/her decisions in relation to Mama100 E-commerce shall not be affected by his/her spouse;

- (iii) he/she will neither, directly or indirectly (either on his/her own or through any other individual or legal entity), participate or engage 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;
- (iv) in the event that he/she receives any asset in relation to the liquidation of Mama100 E-commerce, he/she agrees to transfer at nil consideration or at the lowest consideration as permitted by the then applicable laws and regulations to Guangzhou Hapai such asset; and
- (v) in the event that he/she receives any amount from Guangzhou Hapai or any third party in relation to the exercise of the call option under the Exclusive Call Option Agreement, he/she agrees to unconditionally return all such amount to Guangzhou Hapai or any third party designated by Guangzhou Hapai.

Each of the spouses of the Mama100 Shareholders also executed an Undertaking dated 30 December 2016 pursuant to which he/she irrevocably undertakes, among other things, that:

- (i) the respective equity interest in Mama100 E-commerce held by his/her spouse does not form part of the community property; and
- (ii) any income arising in relation to such equity interest in Mama100 E-commerce shall be solely owned and disposed by his/her spouse and he/she will neither claim any rights to such income, nor participate in the management of the business operation of Mama100 E-commerce.

(6) *Trademark License Agreement*

Pursuant to the Trademark License Agreement entered into between Mama100 Hong Kong and Mama100 E-commerce, Mama100 Hong Kong licenses certain registered trademarks to Mama100 E-commerce during the Term at nil consideration.

## **Further information about the Structure Contracts**

### *Authorization to obtain assets of Mama100 E-commerce*

Pursuant to the Power of Attorneys and the Business Management Agreement, the 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 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 includes the guarantee that, in the event of liquidation or winding up of Mama100 E-commerce, when the shareholders of Mama100 E-commerce obtain any asset, they will transfer such assets to Guangzhou Hapai at nil consideration or at the minimum consideration as permitted under the applicable laws and regulations of the PRC.

### *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 Mama100 E-Commerce, injunctive relief (such as stipulating certain conducts of business or compelling transfer of assets) or order the winding up of Mama100 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 Mama100 Shareholders and the Group. In particular, the Undertakings executed by the Mama100 Shareholders in favour of Guangzhou Hapai provide that he/she will neither, directly or indirectly, participate or engage 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. Pursuant to the Power of Attorneys, Mr. Luo Yun, a non-executive Director who is not a director nor shareholder of Mama100 E-commerce, has been authorized by Guangzhou Hapai to exercise the rights granted to Guangzhou Hapai under the Power of Attorneys to avoid any conflict of interests.

### *Renewal of the Structure Contracts*

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.

In addition, pursuant to the Power of Attorneys and the Undertakings, 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 Structure Contracts.

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.

#### *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. 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 be 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 Announcements, 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

### *Business Model of Mama100 E-commerce*

The current business model of Mama100 E-commerce under the Structure Contracts comprises O2O Business and B2C Business. Under the O2O Business model:

- 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). These online platforms are primarily 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 as 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**”)

Since October 2015, with a view to further expand its business in the e-commerce area, Mama100 E-commerce applied to and successfully completed relevant cross-border e-commerce business registration at competent PRC authority, pursuant to which it is allowed to conduct cross border e-commerce businesses in the PRC. Such qualification allows Mama100 E-commerce to conduct its business-to-consumer business (“**B2C Business**”) more effectively by enabling Mama100 E-commerce to conduct sales cross border. Under the B2C Business model:

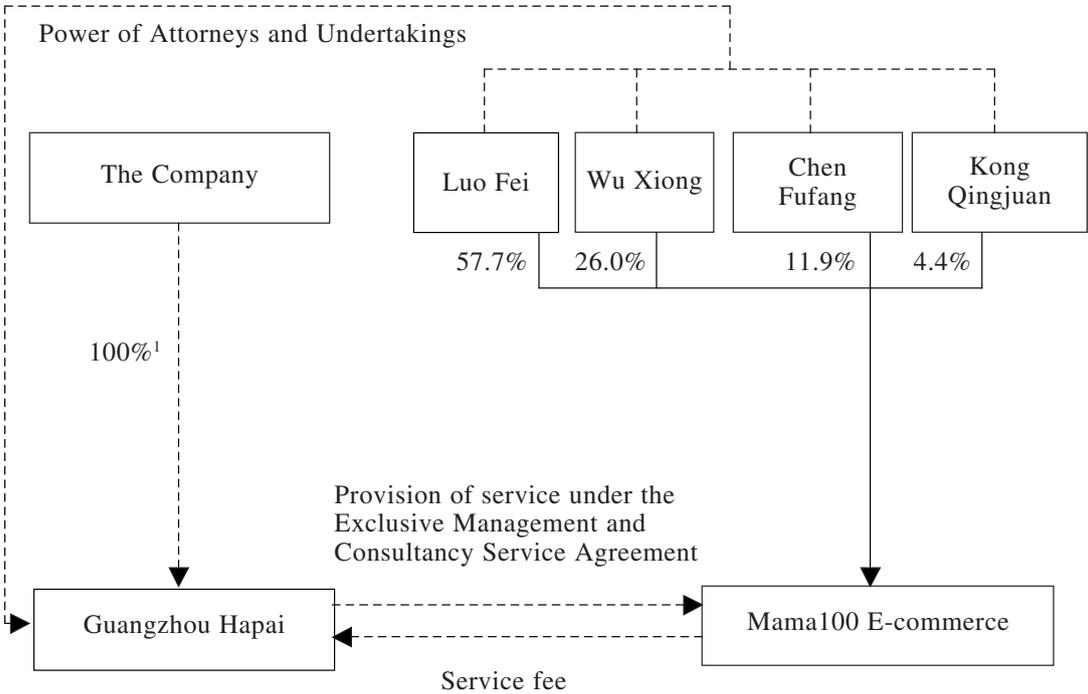
- Similar to the O2O Business model, customers of the Group place orders for the Group's products with any of Mama100 E-commerce's online platforms and make payments for these orders via online payment methods to the relevant member of the Group which will supply the products ordered.

- Mama100 E-commerce will electronically inform the Group of the orders taken from the customers.
- The Group will arrange delivery of the products ordered directly to the customers according to the orders taken through Mama100 E-commerce, either through the Company’s subsidiary in the PRC to consumers in the PRC or through the Company’s subsidiaries outside of the PRC to consumers in the PRC.

(the above business model is referred to as “**B2C Business**”)

*Corporate Structure*

The following chart illustrates the relationship among the Company, Guangzhou Hapai, Mama100 E-commerce and its shareholders in relation to the Structure Contracts.



*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 Structure Contracts.

## **THE PLATFORM SERVICE AGREEMENT**

### **Date**

30 December 2016

### **Parties**

- (1) The Company
- (2) Mama100 E-commerce

### **Term**

From 1 January 2017 to 31 December 2019

### **Summary of terms of the Platform Service Agreement**

On 30 December 2016, the Company and Mama100 E-commerce entered into the Platform Service Agreement, pursuant to which Mama100 E-commerce will provide the following services to the Company and its subsidiaries:

- (i) sales of goods for the Group's general trading and cross-border e-commerce through the internet;
- (ii) promotion of the Group's products in general trading and cross-border e-commerce through the internet;
- (iii) online-to-offline order delivery services for the Group's retail member stores;
- (iv) provision of internet platform for interaction among consumers.

In consideration of providing the above services, the Company will pay the following service fees to Mama100 E-commerce:

- (i) expenses incurred by Mama100 E-commerce in providing sales and promotion services to the Group;
- (ii) 1% settlement charge on sales of goods, representing the amount charged by the payment services utilized by Mama100 E-commerce;

- (iii) service fees as a percentage of the products sold on the internet platform(s) provided by Mama100 E-commerce, which is expected to be approximately 1.3% on average.

Pursuant to the Platform Service Agreement, the aggregate fees payable by the Group to Mama100 E-commerce for the services rendered under it must not exceed RMB12.48 million, RMB16.81 million and RMB22.25 million, respectively, for each of the three years ending 31 December 2017, 2018 and 2019.

### **HISTORICAL TRANSACTION AMOUNTS AND ANNUAL CAPS**

The aggregate maximum transaction amount (i.e. annual caps) in respect of the 2014 Structure Contracts and the 2014 Promotion Service Agreement for the years ended 31 December 2014, 2015 and 2016 are RMB25,030,000, RMB40,710,000 and RMB72,270,000, respectively. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, the actual transaction amounts under the 2014 Promotion Service Agreement are RMB5,866,185, RMB4,315,014 and nil, respectively. During the years ended 31 December 2013, 2014 and 2015, Mama100 E-commerce recorded net losses, primarily due to the expenses needed to develop its e-commerce platform, and had no net profit to be remitted to Guangzhou Hapai. Thus no transaction amount was recorded under the 2014 Structure Contracts for the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016.

The proposed annual caps (the “**Annual Caps**”) for the Transactions for the three years ending 31 December 2017, 2018 and 2019 are expected to be as follows:

	2017 <i>(in RMB)</i>	2018 <i>(in RMB)</i>	2019 <i>(in RMB)</i>
Exclusive Management and Consultancy Service Agreement	600,000	1,330,000	2,020,000
Platform Service Agreement	<u>12,480,000</u>	<u>16,810,000</u>	<u>22,250,000</u>
Total (on an aggregated basis)	<u><u>13,080,000</u></u>	<u><u>18,140,000</u></u>	<u><u>24,270,000</u></u>

## **Basis of calculation of Annual Caps**

### *Structure Contracts*

As the Company expects that in the three years ending 31 December 2019, any revenue generated by Mama100 E-commerce will need to be utilized to cover the operating cost of Mama100 E-commerce and to make necessary capital investments, it is expected that the any service fees to be remitted by Mama100 E-commerce to Guangzhou Hapai under the Exclusive Management and Consultancy Agreement, if any, would not be substantial. The Annual Caps of the Exclusive Management and Consultancy Agreement are calculated with reference to the historical profit and loss of Mama100 E-commerce, the expected improvement in the business volume and profitability of Mama100 E-commerce for the three years ending 31 December 2019.

### *Platform Service Agreement*

The Annual Caps of the Platform Service Agreement are calculated based on the historical transaction amounts under the 2014 Promotion Service Agreement, the prevailing market price, the scope of platform services and the estimated volume of the services to be provided by Mama100 E-commerce to the Group.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The services and platform provided by Mama100 E-commerce enable the Group to expand its distribution channels, increase its sales and provide better services to consumers, which the Directors believe will contribute to increased sales of the Group's products. Through co-operation with Mama100 E-commerce pursuant to the terms of the Structure Contracts, the Group is able to explore the global e-commerce markets and make its distribution network more effective, thus strengthening the Group's market position in the premium pediatric nutritional and baby care product industry.

In particular, the Group will continue to maintain financial and operational control of Mama100 E-commerce pursuant to the Structure Contracts, and the Platform Service Agreement will enable the Group to continue to enhance the sales efficiency of the Group's products and promotion via the internet.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Mama100 E-commerce is owned as to 57.7% by Mr. Luo Fei, 26% by Mr. Wu Xiong, 11.9% by Mr. Chen Fufang and 4.4% by Ms. Kong Qingjuan. Mr. Luo Fei is an executive Director, each of Mr. Wu Xiong and Mr. Chen Fufang is a non-executive Director and Ms. Kong Qingjuan was a former executive Director within 12 months before the date of the Structure Contracts. In addition, Mr. Luo Fei is also the chief executive officer of the Company. Mama100 E-commerce, an associate of Mr. Luo Fei, is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, each of the Transactions constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Having considered that each of the Transactions has been entered into by the Group with the same party, namely, Mama100 E-commerce and/or the Mama100 Shareholders, and are for the same purpose of enabling the Group to conduct e-commerce activities for the Group's products, the Directors consider that each of the Transactions shall be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio (other than the profits ratio) in relation to the largest Annual Caps for the Transactions in aggregate is more than 0.1% but less than 5%, each of the Transactions fall within either Rule 14A.76(2) of the Listing Rules and is subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **CONSIDERATION BY THE BOARD AND RECOMMENDATION BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Directors (including the independent non-executive Directors) consider that the Transactions:

- (i) have been entered into in the ordinary and usual course of business of the Company;
- (ii) have been conducted on normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole;
- (iii) in relation to the Structure Contracts, none of the Mama100 Shareholders takes any advantage of his/her position as a controlling shareholder of the Company under the Structure Contracts, and the Structure Contracts are fundamental to the Company's e-commerce business legal structure and operations; and
- (iv) the Annual Caps for the three years ending 31 December 2019 are fair and reasonable.

Mr. Luo Fei, Mr. Wu Xiong and Mr. Chen Fufang, each being a shareholder of Mama100 E-commerce and a Director, had abstained from voting on the Board resolutions in respect of the Transactions and the Annual Caps. Save for Mr. Luo Fei, Mr. Wu Xiong and Mr. Chen Fufang, none of the Directors has material interests in the Transactions. Except for Mr. Luo Fei, Mr. Wu Xiong and Mr. Chen Fufang, all the Directors (including all the independent non-executive Directors) voted unanimously to pass the resolutions in respect of the Transactions.

## **INFORMATION ON THE GROUP AND MAMA100 E-COMMERCE**

### **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. Through the acquisitions of equity in Biostime Healthy Australia Holdings Pty Limited and its subsidiaries, the Group has repositioned itself as an all-round nutrition and care provider for the entire family, providing high-end pediatric and adult nutrition and care products through its established brands predominantly in China, Australia and New Zealand, and other countries around the world.

Guangzhou Biostime, as a direct wholly-owned subsidiary of the Company, is principally engaged in the research, development and distribution of pediatric nutritional and baby care products in the PRC.

Guangzhou Hapai, as an indirect wholly-owned subsidiary of the Company, is principally engaged in provision of services in relation to information technology, advertisement planning, marketing and promotion.

Mama100 Hong Kong, as an indirect wholly-owned subsidiary of the Company, is principally engaged in investment holding, as well as holding of the relevant intellectual property rights used in the internet platforms operated by Mama100 E-commerce.

### **Information on Mama100 E-commerce**

Mama100 E-commerce is a limited liability company established in the PRC on 8 November 2013 and is owned as to 57.7% by Mr. Luo Fei, 26% by Mr. Wu Xiong, 11.9% by Mr. Chen Fufang and 4.4% by Ms. Kong Qingjuan. It is principally engaged in online sales and marketing of pediatric nutritional and baby care products.

The Group would continue to maintain financial and operational control of Mama100 E-commerce through its relevant subsidiaries.

### **Definition**

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

<b>Term</b>	<b>Definition</b>
“2014 Business Management Agreement”	the agreement dated 27 June 2014 entered into between Guangzhou Hapai, Mama100 E-commerce and Mama100 Shareholders, pursuant to which the Group obtained the control of business and financial management of Mama100 E-commerce

“2014 Domain Name Transfer Agreement”	the agreement dated 27 June 2014 entered into between Guangzhou Biostime and Mama100 E-commerce, pursuant to which Guangzhou Biostime transferred certain domain names to Mama100 E-commerce
“2014 Equity Interests Pledge Agreement”	the agreement dated 27 June 2014 entered into between Guangzhou Hapai and the Mama100 Shareholders, pursuant to which the entire registered capital of Mama100 E-commerce was pledged to Guangzhou Hapai
“2014 Exclusive Call Option Agreement”	the agreement dated 27 June 2014 entered into between Guangzhou Hapai, Mama100 E-commerce and Mama100 Shareholders, pursuant to which Guangzhou Hapai will be entitled to, as and when permitted by applicable PRC laws and regulations, acquire all of the equity interest of Mama100 E-commerce
“2014 Exclusive Management and Consultancy Service Agreement”	the agreement dated 27 June 2014 entered into between Guangzhou Hapai, Mama100 E-commerce, pursuant to which Guangzhou Hapai has the exclusive right to provide certain management and consultancy services to Mama100 E-commerce
“2014 License Agreements”	the 2014 Trademark License Agreement and the 2014 Trademark Application License Agreement
“2014 Power of Attorneys”	the power of attorneys dated 27 June 2014 signed by each of the Mama100 Shareholders pursuant to the Business Management Agreement
“2014 Promotion Service Agreement”	the agreement dated 27 June 2014 entered into between Guangzhou Biostime and Mama100 E-commerce, pursuant to which Mama100 E-commerce will provide certain promotion service to Guangzhou Biostime for its products
“2014 Structure Contracts”	collectively, the 2014 Exclusive Management and Consultancy Service Agreement, the 2014 Equity Interests Pledge Agreement, the 2014 Exclusive Call Option Agreement, the 2014 Business Management Agreement (including the 2014 Power of Attorneys and the 2014 Undertakings), the 2014 License Agreements and the associated agreements

“2014 Trademark Application License Agreement”	the agreement dated 27 June 2014 entered into between Biostime Investment and Mama100 E-commerce, pursuant to which Biostime Investment will license certain trademarks under registration process to Mama100 E-commerce
“2014 Trademark License Agreement”	the agreement dated 27 June 2014 entered into between Biostime Investment and Mama100 E-commerce, pursuant to which Biostime Investment will license certain registered trademarks to Mama100 E-commerce
“2014 Undertakings”	the undertakings dated 27 June 2014 signed by each of the Mama100 Shareholders and his/her spouse pursuant to the Business Management Agreement
“Announcements”	the announcements of the Company dated 30 June 2014 and 20 November 2014 in relation to the 2014 Structure Contracts
“Biostime Investment”	Biostime International Investment Limited (合生元國際投資有限公司), a limited liability company incorporated in the British Virgin Islands on 14 November 2012 and a direct wholly-owned subsidiary of the Company
“Board”	the board of Directors of the Company
“Business Management Agreement”	the agreement dated 30 December 2016 entered into between Guangzhou Hapai, Mama100 E-commerce and Mama100 Shareholders, pursuant to which the Group will obtain the control of business and financial management of Mama100 E-commerce
“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 on 30 April 2010, the shares of which are listed on the Stock Exchange
“Directors”	the directors of the Company
“Equity Interests Pledge Agreement”	the agreement dated 30 December 2016 entered into between Guangzhou Hapai and the Mama100 Shareholders, pursuant to which the entire registered capital of Mama100 E-commerce will be pledged to Guangzhou Hapai

“Exclusive Call Option Agreement”	the agreement dated 30 December 2016 entered into between Guangzhou Hapai, Mama100 E-commerce and Mama100 Shareholders, pursuant to which Guangzhou Hapai will be entitled to, as and when permitted by applicable PRC laws and regulations, acquire all of the equity interest of Mama100 E-commerce
“Exclusive Management and Consultancy Service Agreement”	the agreement dated 30 December 2016 entered into between Guangzhou Hapai and Mama100 E-commerce, pursuant to which Guangzhou Hapai has the exclusive right to provide certain management and consultancy services to Mama100 E-commerce
“Group”	the Company and its Subsidiaries
“Guangzhou Biostime”	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
“Guangzhou Hapai”	Guangzhou Hapai Information Technology Co., Ltd.* (廣州市合愛信息技術有限公司), a limited liability company established in the PRC on 29 January 2014 and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mama100 E-commerce”	Guangzhou Mama100 E-commerce Limited* (廣州市媽媽一百電子商務有限公司), a limited liability company established in the PRC on 8 November 2013 and is owned as to 57.7% by Mr. Luo Fei, 26% by Mr. Wu Xiong, 11.9% by Mr. Chen Fufang and 4.4% by Ms. Kong Qingjuan
“Mama100 Shareholders”	shareholders of Mama100 E-commerce, namely, Mr. Luo Fei, Mr. Wu Xiong, Mr. Chen Fufang and Ms. Kong Qingjuan
“Mama100 Hong Kong”	Mama100 Hong Kong Limited (媽媽一百香港有限公司), a limited liability company incorporated in Hong Kong on 25 September 2013 and an indirect wholly-owned subsidiary of the Company

“Platform Service Agreement”	the agreement dated 30 December 2016 entered into between the Company and Mama100 E-commerce, pursuant to which Mama100 E-commerce will provide e-commerce platform services to the Company and its subsidiaries
“Power of Attorneys”	the power of attorneys dated 30 December 2016 signed by each of the Mama100 Shareholders pursuant to the Business Management Agreement
“Structure Contracts”	collectively, the Exclusive Management and Consultancy Service Agreement, the Equity Interests Pledge Agreement, the Exclusive Call Option Agreement, the Business Management Agreement (including the Power of Attorneys and Undertakings), the Trademark License Agreement and the associated agreements
“Term”	the period from 1 January 2017 to 31 December 2019, both dates inclusive
“Trademark License Agreement”	the agreement dated 30 December 2016 entered into between Mama100 Hong Kong and Mama100 E-commerce, pursuant to which Mama100 Hong Kong will license certain registered trademarks to Mama100 E-commerce
“Share(s)”	ordinary shares of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	the transactions contemplated under the Structure Contracts and the Platform Service Agreement
“Undertakings”	the undertakings dated 30 December 2016 signed by each of the Mama100 Shareholders and his/her spouse pursuant to the Business Management Agreement

*The English translation of company names in Chinese marked with “\*” is for identification purpose only.*

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

Hong Kong, 30 December 2016

*As at the date of this announcement, the executive Directors of the Company are Mr. Luo Fei and Mr. Radek Sali; 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.*