

[For Immediate Release]



Biostime International Holdings Limited
合生元國際控股有限公司

2016 Annual Results Announcement

Revenue reached RMB6,505.6 million
Profit for the year rose by 259.6% to RMB1,052.0 million

Leading market position maintained despite regulatory changes

Financial Highlights

<i>RMB million unless otherwise stated</i>	<i>For the year ended 31 December</i>		<i>% Change</i>
	2016	2015	
Revenue	6,505.6	4,818.6	+35.0%
Gross profit	4,059.1	2,984.6	+36.0%
Profit for the year	1,052.0	292.5	+259.6%
Basic earnings per share	RMB1.52	RMB0.41	+270.7%

(Hong Kong, 27 March 2017) **Biostime International Holdings Limited** ("Biostime" or the "Company", together with its subsidiaries, the "Group"; stock code: 1112), a premium family nutrition and wellness provider, announces its annual results for the year ended 31 December 2016.

In 2016, the Group navigated its business through fierce competition in infant milk formula ("IMF") market and major regulatory changes such as formula registration rules and new regulations on Cross Border E-Commerce ("CBEC"). Amid the challenging environment, the Group launched active sales in China through CBEC for Swisse Wellness Group Pty Ltd ("Swisse") and carried out post-acquisition integration of Swisse into the Group.

For the year ended 31 December 2016, the revenue of the Group increased by 35.0% YoY to RMB6,505.6 million on a currency-adjusted basis. The baby nutrition and care products ("BNC") segment accounted for approximately 58.8% of the revenue, with the remaining 41.2% derived from the adult nutrition and care ("ANC") segment. Gross margin improved to 62.4% in 2016 from 61.9% in 2015. Net profit for the year rose by 259.6% to RMB1,052.0 million.

In 2016, the Chinese IMF market remained intensely competitive as the PRC authorities released stringent formula registration rules in a bid to ensure the quality and safety of products, which led to intensified competition and reduction in prices as many players seek to reduce the number of product series. Consequently, revenue from the BNC segment slightly decreased by approximately 3.7% to RMB3,823.1 million, which was mainly attributable to the sales decline of the mid-tier infant formula products under the ADiMIL™ brand, while the revenue from Biostime™ branded products increased by 4.4% from that of 2015. According to Nielsen, an independent market research firm, the Group's share of the overall IMF market in China remained stable at 5.8% for the twelve months ended 31 December 2016 as compared to 5.9% for the twelve months ended 31 December 2015.

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In order to capture the fast growing demand for organic IMF products, the Group launched an organic IMF series in December 2016 under Healthy Times™, a 36-year-old California-based organic baby food brand acquired by the Group. In addition, sales of probiotics products achieved a 29.8% increase, thanks to innovative marketing initiatives as well as growing demand from the market as resulting from increased awareness of health benefits associated with probiotics in China.

2016 was the first complete financial year after the acquisition of Swisse in September 2015. Revenue derived from the Group's ANC segment for the year ended 31 December 2016 amounted to AUD542.5 million, a year-on-year increase of 2.6% from 2015, assuming the financial results of Swisse were fully consolidated into the Group for twelve months ended 31 December 2015. Based on the research statistics from IRI Worldwide, Swisse maintained its leading position in the Australian vitamin and herbal ("VHMS") market with a market share of 16.6% for the twelve months ended 31 December 2016.

To enhance premium brand image among consumers in two core markets of Australia and China, the Group continued to invest in Swisse's brand equity to ensure the long-term growth of this business. Swisse continued to partner with Australian Olympic and Paralympic teams as well as major e-commerce platforms in China and led the healthcare category on Alibaba platforms with its unique branding and product offering. Despite these marketing and branding investments, coupled with impacts from PRC regulatory challenges, Swisse still achieved a solid EBITDA margin of 27.9% for the full year of 2016.

Looking ahead, the Group believes that the Chinese IMF market will continue to consolidate as the enforcement of formula registration rules will come into effect on 1 January 2018. Coupled with the two-child policy, the Group is confident that Biostime will benefit from both the increasing demand and market consolidation starting from the later part of 2017. With regard to the IMF registration rules, the Group has been preparing for the application documents and already started to submit.

To complement the product portfolio and capture the growing demand for baby care and accessories products, the Group completed the full acquisition of Dodie, a renowned French baby product with nearly 60 years of history, in December 2016. Together with the introduction of the new Healthy Times™ organic IMF series, Dodie will strengthen the Group's premium product offering in the BNC segment.

To accelerate business expansion and broaden consumer base, the Group has kicked off Swisse's offline roll-out as soft launch in selective retail outlets, such as Watsons and Sam's club in China, and will introduce offline products as conventional food, which includes the two hero products Hair, Skin and Nails (HSN) and Cranberry Concentrate in liquid and effervescent forms.



Swisse's Hair, Skin and Nails (left) and Cranberry Concentrate in liquid (middle) and effervescent forms (right) have been soft-launched in selective Watsons and Sam's Club in China on 1 March 2017.

In addition, the effective date of the new CBEC regulations, which was announced on 8 April 2016, has been further postponed to the end of 2017. At the same time, the Ministry of Commerce further clarified that starting from 1 January 2018, the commodities imported via CBEC will be considered as personal goods and no longer be subject to trading goods requirements until further notice, which significantly reduce the regulatory constraints that may have been previously imposed on Swisse CBEC products.

Despite these regulatory changes, the offline product launch in China will help diversify the risk of active sales through CBEC as the Group will have increased sales contribution from physical stores. The Group will commence the filing and registration procedures as required by the Administrative Measure of Registration and Record Filing of Health Food (《保健食品註冊與備案管理辦法》) once the supporting rules are fully released.

Mr. Luo Fei, Chairman and Chief Executive Officer of the Group said, "Our new mission is "Making People Healthier and Happier", and we aspire to become a global leader in premium nutrition and wellness through our superior products and aspirational brands. In order to better reflect the equal importance of our two business segments, BNC and ANC, as well as our common corporate culture and values, we are planning to reposition our Group with a new name which will embody the new mission and vision of the Group. Looking ahead, despite challenges from regulatory changes in both the IMF and VHMS segments, we see great opportunities for growth in both markets, and we are confident we can achieve sustainable growth through global business initiatives during the full year of 2017."

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About Biostime

Biostime is a premium family nutrition and wellness provider. The company's family of products includes premium probiotic supplements for children, infant formulas and dried baby food products, baby care products in China. It also owns 100% equity interest in Swisse Wellness Group Pty Ltd., which is a leading provider of vitamins, herbal, mineral supplements products in Australia. The shares of Biostime have been listed on the Hong Kong Stock Exchange since 2010.

For further inquiries, please contact:

iPR Ogilvy & Mather

Natalie Tam / Lorraine Luk / Andrea Leung / Hazel Chan

Tel: (852) 2136 6182 / 2169 0467 / 3920 7683 / 3920 7651

Fax: (852) 3170 6606

Email: biostime@iprogilvy.com