

[For Immediate Release]



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

**2016 Interim Results Announcement**

\*\*\*

**Revenue sales reached RMB3,008.3million**  
**Profit for the period amounted to RMB404.9million**

***Leading market position maintained despite industrial headwinds***  
***Swisse continued to thrive and contributed steadily to revenue***

**Financial Highlights**

<i>RMB'000 unless otherwise stated</i>	<i>For the six months ended 30 June</i>	
	<b>2016</b>	2015
Revenue	<b>3,008,304</b>	1,962,902
Gross profit	<b>1,928,108</b>	1,142,904
Profit for the period	<b>404,892</b>	204,955
Basic earnings per share	<b>RMB0.57</b>	RMB0.34

(Hong Kong, 23 August 2016) **Biostime International Holdings Limited** ("Biostime" or the "Company", together with its subsidiaries, the "Group"; stock code: 1112), a leading premium family nutrition and care products provider, announces its interim results for the six months ended 30 June 2016.

The first half of 2016 is the first complete half financial year after the acquisition of Swisse Wellness Group Pty Ltd ("Swisse") in September 2015. As an all-around provider of premium family nutrition and care products, Biostime has leveraged its resources to carry out a smooth integration of Swisse into the business of the Group and activate its direct sales in China. In the first half, the Group has successfully completed a debt refinancing of its Swisse acquisition bridge loan and convertible bonds, further strengthening the Group's capital efficiency and financial stability. Since the acquisition of Swisse late last year, it has achieved pleasing results and contributed steadily to the Group's revenue. With two strong brands in both the infant milk formula ("IMF") and vitamin, herbal and mineral supplements ("VHMS") segments, the Group is well-positioned to maintain a strong market position within these two dynamic industries.

During the first half of 2016, the revenue of the Group and its net profit for the six months ended 30 June 2016 reached RMB3,008.3 million and RMB404.9 million, respectively. Of which, revenue grew by 53.3%, mainly attributable to the enlarged product segment of adult nutrition and care under the "Swisse" brand. Among the Group's revenue, the baby nutrition and care products segment accounted for approximately 57.3% of the revenue, with the remaining 42.7% derived from the adult nutrition and care products segment.

Due to the tightening effect casted by implementation of new registration regulations on the components of infant formulas earlier this year, the market remained fiercely competitive. The significant de-stocking of infant formula products and aggressive price competition led to a decrease in sales volume in the overall sector. Consequently, revenue from the baby nutrition and care products

segment decreased by approximately 12.2% as compared to the corresponding period in 2015, while revenue from infant formulas decreased by 14.0% to RMB1,460.5 million. The decrease was mainly attributable to the sales decline of the mid-tier infant formula products under ADiMIL™ branded products by 65.7% as a result of increased competition in the mid-tier segment. Despite distributors reduced their inventory in anticipation of uncertainties stemming from regulatory changes, the revenue from Biostime™ branded products remained relatively stable.

Notwithstanding the intensifying competition, the Group has continued to invest in brand building and consumer education to consolidate market position of Biostime™ branded products. The Biostime™ brand remained strong within the Chinese market during the period, demonstrated by strong revenue growth of the probiotics segment, which has increased by 12.8% compared with the same period last year.

Despite industrial headwinds, the Group maintained its market position in the infant formula market during the period under review. According to Nielsen, an independent market research firm, the Group's share of the overall IMF market experienced a slight decrease to 5.8% for the twelve months ended 30 June 2016 compared with 5.9% for the year ended 31 December 2015.

Subsequent to the completion of the Swisse acquisition, the Group has benefited from the steady contribution of sales from its adult nutrition and care products segment under the "Swisse" brand name. For the first half of 2016, Swisse delivered strong momentum in both top line revenue and net profit driven by robust sales growth in Australian and Chinese markets. The revenue derived from Swisse for the six months ended 30 June 2016 has increased by 34.9% compared with the corresponding period last year, and was RMB1,284.0 million (approximately AUD267.6million) in the first half of 2016. Based on the research statistics from IRI Worldwide, Swisse continued to hold the No.1 spot in the total Australian vitamin and herbal market with a share of 18.3% for the twelve months ended 30 June 2016.

Since its flagship store opening on Tmall.hk, Swisse has strengthened its number one position in the healthcare category on both Tmall and Taobao platforms. In addition, Swisse also established strategic partnerships with other major cross-border e-commerce platforms, such as VIP shop, Netease Kaola and JD.com, and has demonstrated strong sales momentum in the Chinese market.

Looking ahead, the Group believes that the infant formula market will continue to be overshadowed by the regulatory environment, at least in the short term, mainly due to the newly released registration regulations on infant formula recipes. However, the mid-long term positive impact of the new regulations will also represent an opportunity for the Group to strengthen its market position in light of expected industry consolidation. In addition, the full implementation of the two-child policy is likely to provide a much needed boost to the demand of infant formula products starting from 2017. In the first half of 2016, the Group began to leverage its sophisticated marketing models and distribution capabilities to strengthen brand recognition and extend online strategic partnerships in China. Meanwhile, to drive future business growth and product differentiation, the Group plans to launch an organic infant formula range under the "Healthy Times" brand at the end of 2016 to increase exposure to the fast growing organic segment.

Under the Administrative Measure of Registration and Record Filing of Health Food (《保健食品註冊與備案管理辦法》) coming into effect on 1 July 2016, the Group has developed Swisse's offline strategies, including the preparation of both filing and

registration procedures as well as a compelling range of products which can be imported and sold as conventional food products offline. This offline product portfolio will be complemented by other product categories such as sports nutrition protein powders and selected Ultiboost products, which do not require registration. Going forward, the Group will initiate proactive marketing campaigns to improve active sales of Swisse products in the Chinese market, aiming to counter the potential decrease in passive sales.

The Group's long-term vision remains as being a leading provider of nutrition and care products for the entire family, and it will continue to focus on product innovation across its diverse range of premium infant and adult nutrition and care products. The Group is also investing across the business, including brand marketing, personnel and operational capability, to maintain competitive advantage and achieve sustainable growth in the long run.

Mr. Luo Fei, Chairman and Chief Executive Officer of the Group said, "In the first half of 2016, the Group was faced with industry headwinds and implementation of recently released regulations. Nevertheless, given the strong underlying consumer demand of VHMS products, prompted by heightened health awareness from Chinese consumers, combined with Swisse's leading position in the VHMS market, the Group is well-positioned to capture significant business potential in the future."

- End -

#### **About Biostime**

Biostime is a premium family nutrition and care products 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 83% 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 / Cici Wei

Tel: (852) 2136 6182 / 2169 0467 / 3920 7683 / 3920 7651 / 3920 7656

Fax: (852) 3170 6606

Email: [biostime@iprogilvy.com](mailto:biostime@iprogilvy.com)