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**BIOSTIME INTERNATIONAL HOLDINGS LTD.**

**合生元國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1112)**

**PROPOSED SENIOR NOTES OFFERING**

This announcement is made by Biostime International Holdings Limited (the “**Company**”) pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcements of the Company (i) dated 16 June 2016, in relation to the issuance of US\$400,000,000 7.25% senior notes due 2021 and (ii) dated 15 December 2016, in relation to very substantial acquisition and connected transaction in relation to the acquisition of the remaining approximately 17% equity interest in Biostime Australia Holdings (the “**Previous Announcements**”). Capitalised terms used and not otherwise defined in this announcement have the meanings ascribed to them in the Previous Announcements.

The Company proposes to conduct an international offering of US\$150,000,000 aggregate principal amount of its 7.25% senior notes due 2021 (the “*Senior Notes*”). The Senior Notes will be issued as additional notes under the indenture entered into by the Company, among others, dated 21 June 2016 (the “*Indenture*”) and will form part of the same series as the Company’s currently outstanding US\$400,000,000 aggregate principal amount of 7.25% Senior Notes due 2021 issued on 21 June 2016 (the “*Original Notes*”). The Senior Notes will be guaranteed by certain subsidiaries of the Company (the “*Subsidiary Guarantors*”). The Senior Notes will have the same terms as those of the Original Notes and will be treated as a single class together with the Original Notes and will be fully fungible upon issuance. The Senior Notes will only be offered and sold in an institutional offering to qualified institutional buyers in the United States in reliance on Rule 144A under the U.S. Securities Act and outside the United States in reliance on Regulation S (the “*Proposed Senior Notes Offering*”).

The Company intends to use the net proceeds of the Proposed Senior Notes Offering, together with cash on hand, to fund the Swisse Minority Acquisition.

Goldman Sachs has been appointed as the sole global coordinator, sole lead manager and sole bookrunner in respect of the Proposed Senior Notes Offering. The Company, the Subsidiary Guarantors and Goldman Sachs are expected to enter into a purchase agreement (the “*Purchase Agreement*”) and other ancillary documents in relation to the Senior Notes.

In connection with the Proposed Senior Notes Offering, the Company will provide certain institutional investors with recent corporate and financial information regarding the Group, which may not necessarily have been made public. An extract of such recent information is attached to this announcement, and can also be viewed at the Company’s website [www.biostime.com](http://www.biostime.com) and the Stock Exchange’s website [www.hkexnews.hk](http://www.hkexnews.hk) at approximately the same time when such information is released to the institutional investors.

Approval in-principle has been received for the listing and quotation of the Senior Notes on the Official List of the SGX-ST. Such approval in-principle is not to be taken as an indication of the merits of the Company, its subsidiaries, or the Senior Notes. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. No listing of the Senior Notes has been, or will be, sought in Hong Kong.

**As no binding agreement in relation to the Proposed Senior Notes Offering has been entered into as at the date of this announcement, the Proposed Senior Notes Offering may or may not materialize. The completion of the Proposed Senior Notes Offering is subject to various factors, including but not limited to, market conditions, corporate needs of the Company and investor interest. Investors and shareholders of the Company are urged to exercise caution when dealing in the shares and other securities of the Company.**

Further announcement in respect of the Proposed Senior Notes Offering will be made by the Company should the Purchase Agreement be signed.

## **INTRODUCTION**

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

Reference is made to the Previous Announcements. Capitalised terms used and not otherwise defined in this announcement have the meanings ascribed to them in the Previous Announcements.

## **PROPOSED SENIOR NOTES OFFERING**

The Company proposes to conduct an international offering of the Senior Notes. The Senior Notes will be issued as additional notes under the Indenture and will form part of the same series as the Original Notes. The Senior Notes will be guaranteed by the Subsidiary Guarantors. The Senior Notes will have the same terms as those of the Original Notes and will be treated as a single class together with the Original Notes and will be fully fungible upon issuance. The Senior Notes will only be offered and sold in an institutional offering to qualified institutional buyers in the United States in reliance on Rule 144A under the U.S. Securities Act and outside the United States in reliance on Regulation S.

Goldman Sachs has been appointed as the sole global coordinator, sole lead manager and sole bookrunner in respect of the Proposed Senior Notes Offering. The Company, the Subsidiary Guarantors and Goldman Sachs are expected to enter into the Purchase Agreement and other ancillary documents in relation to the Senior Notes.

The Senior Notes and the Subsidiary Guarantees have not been and will not be registered under the U.S. Securities Act or any state securities laws and are being offered and sold only to (i) “qualified institutional buyers” (as defined in Rule 144A under the U.S. Securities Act) (“*QIBs*”) in compliance with Rule 144A and (ii) non-U.S. persons outside the United States in offshore transactions in reliance on Regulation S. None of the Senior Notes or the Subsidiary Guarantees will be offered to the public in Hong Kong and none of the Senior Notes will be placed to any connected persons of the Company.

In connection with the Proposed Senior Notes Offering, the Company will provide certain institutional investors with recent corporate and financial information regarding the Group, which may not necessarily have been made public. An extract of such recent information is attached to this announcement, and can also be viewed at the Company’s website [www.biostime.com](http://www.biostime.com) and the Stock Exchange’s website [www.hkexnews.hk](http://www.hkexnews.hk) at approximately the same time when such information is released to the institutional investors.

### ***Reasons for the Proposed Senior Notes Offering***

The Company intends to use the net proceeds of the Proposed Senior Notes Offering, together with cash on hand, to fund the Swisse Minority Acquisition.

### ***Listing***

Approval in-principle has been received for the listing and quotation of the Senior Notes on the Official List of the SGX-ST. Such approval in-principle is not to be taken as an indication of the merits of the Company, its subsidiaries, or the Senior Notes. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. No listing of the Senior Notes has been, or will be, sought in Hong Kong.

## **GENERAL**

**As no binding agreement in relation to the Proposed Senior Notes Offering has been entered into as at the date of this announcement, the Proposed Senior Notes Offering may or may not materialise. The completion of the Proposed Senior**

**Notes Offering is subject to market conditions, corporate needs of the Company and investor interest. Investors and shareholders of the Company are urged to exercise caution when dealing in the shares and other securities of the Company.**

Further announcement in respect of the Proposed Senior Notes Offering will be made by the Company should the Purchase Agreement be signed.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of 83% Shareholding in Swisse by the Company
“Board”	the board of Directors
“Bridge Loan”	a facility agreement entered by the Company to provide bridge financing for the Acquisition
“Business Day”	any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London, Singapore or in Hong Kong (or in any other place in which payments on the Senior Notes are to be made) are authorized or required by law or governmental regulation to close
“Capital Stock”	capital stock as defined under the Offering Memorandum
“Company”	Biostime International Holdings Limited (合生元國際控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange
“connected person(s)”	shall have the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Goldman Sachs”	Goldman Sachs (Asia) L.L.C.
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Issue Date”	the issue date of the Senior Notes in relation to the Proposed Senior Notes Offering
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offering Memorandum”	offering memorandum in connection with the Proposed Senior Notes Offering
“PRC”	the People’s Republic of China (excluding, for the purpose of this announcement, Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan)
“Proposed Senior Notes Offering”	an international offering of the Senior Notes by the Company
“Purchase Agreement”	the agreement proposed to be entered into among the Company, the Subsidiary Guarantors and Goldman Sachs in relation to the Proposed Senior Notes Offering
“Regulation S”	Regulation S under the U.S. Securities Act
“RMB”	Renminbi, the official currency of the PRC
“Senior Facility”	the syndicated facility agreement entered among Biostime Healthy Australia Investment Pty Ltd., The Hongkong and Shanghai Banking Corporation Limited and Goldman Sachs dated 24 April 2016 providing for a US\$450 million term loan facility, as amended and restated
“Senior Notes”	the senior notes to be issued by the Company as specified in this announcement
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Share Sale Agreement”	the share sale agreement dated 15 December 2016 entered into between the Company and the Target Minority Shareholders in relation to the Swisse Minority Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiary Guarantees”	the guarantees provided by the Subsidiary Guarantors in respect of the Senior Notes

“Subsidiary Guarantors”	certain existing non-PRC subsidiaries of the Company guaranteeing the Senior Notes
“Swisse”	Swisse Wellness Group Pty Ltd
“Swisse Minority Acquisition”	the indirect acquisition of 17% of Swisse shares held by minority shareholders by the Company to take place shortly following the closing of the offering pursuant to the Share Sale Agreement
“United States”	United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended
“US\$” or “US dollars”	the United States dollars, the official currency of the United States

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

Hong Kong, 23 January 2017

*As at the date of this announcement, the executive Director of the Company is Mr. Luo Fei; 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.*

## Other Information

*Below financial information under Recent Developments is solely based on preliminary information prepared by the Company's management. This financial information has not been audited or reviewed by any audit firm and is inherently subject to modification during the preparation of the Company's consolidated financial statements as of and for the year ended 31 December 2016.*

### Recent developments

We believe that our business results during the fourth quarter of 2016 remain stable and our market share during the fourth quarter of 2016 is consistent with our market share for the third quarter of 2016. Our business continues to benefit from strong industry fundamentals such as the premiumisation of the Chinese infant formula market and the growing consumption of health food supplements in China. In the fourth quarter of 2016, sales volumes for our premium infant milk formula remained stable while we continue to experience price competition in the mid-tier infant milk formula market. Sales volume for adult nutrition and care products improved moderately from the third quarter 2016.

Overall, we expect our Biostime<sup>TM</sup> infant formula revenue in the fourth quarter of 2016 to be consistent with the third quarter 2016. However, we expect our Biostime<sup>TM</sup> branded infant formula sales for the fourth quarter of 2016 to decline relative to the fourth quarter of 2015. This decline principally reflects the increased volume of sales in the fourth quarter of 2015 following stock clearing in anticipation of the launch of SN-2 PLUS. In addition, we launched our organic infant formula product under the Healthy Times brand during the fourth quarter of 2016, initially in southern China in December 2016, with a full nationwide launch to be rolled out during 2017. Our ADiMIL formula continued to experience challenging revenue and gross profit trends in the fourth quarter of 2016 due to price competition in the mid-tier infant formula market. We expect that our overall gross margin of our infant milk formula and other pediatric products in the fourth quarter of 2016 will remain stable as compared with the third quarter of 2016, but to decline as compared with the corresponding period in 2015 (which saw lower discounting during the launch of SN-2 PLUS). Similarly, we expect our Adjusted EBITDA margin in the fourth quarter of 2016 to decline as compared with the fourth quarter of 2015 due to the decline in gross margin and modestly higher marketing expenses in the fourth quarter of 2016 as a result of the increased marketing expenses during the period, including the launch of Healthy Times<sup>TM</sup> organic formula. We continue to prepare documentation in preparation of a submission to register our infant formula products in compliance with the deadline set forth in the new regulatory requirements discussed below.



With respect to our adult nutrition and care segment, we expect revenue to stabilize toward the end of 2016 as the scope of our adult nutrition and care products that will be impacted by regulatory change has become more clear and our customers have gradually reduced their destocking activities and begun to move toward replenishing their inventories of our products, in particular as a result of postponement of regulatory changes. Our revenue from our adult nutrition and care segment in the fourth quarter of 2016 is expected to improve as compared with the third quarter of 2016, but to decline as compared to the same period in 2015 primarily as a result of the fulfilment of prior orders which had the effect of increasing revenue in the fourth quarter of 2015. We expect that our adjusted EBITDA in the fourth quarter of 2016 compared to the fourth quarter of 2015 will decline as a result of higher marketing expenses and increased investment to expand our operational capacity. We increased marketing of Swisse products via online channels in China, particularly for the online 11/11 and 12/12 shopping events in China. For example, we were the sole title sponsor of JD.com’s 11/11 on-line live show. We expect to increase our operational capacity in anticipation of the launch Swisse products across our distribution network throughout China in March 2017. We also incurred additional marketing expenses in preparation of the launch of offline sales of nutrition products in China.

Radek Sali resigned as an executive director of the Company and the chief executive officer of the Swisse Wellness Group (Biostime Healthy Australia Holdings Pty Ltd and all its wholly owned subsidiaries) with effect from 31 December 2016. The chief operating officer of Swisse also resigned with effect from 31 December 2016. All other management positions at Swisse Wellness Group remain unchanged. On 3 January 2017, Oliver Horn took over as the managing director of the Swisse Wellness Group reporting directly to Luo Fei, chief executive officer of the Company. Oliver Horn will bring his global sales and marketing expertise to our business, and will be actively involved in the work of integrating the Swisse Wellness Group within the Biostime Group. Oliver Horn has previously worked in a number of marketing, sales and integration roles for global companies, including L’Oréal, and most recently at Treasury Wine Estate in the role of Integration Director.

## **Recent Regulatory Developments**

- ***Formula registration of infant formula milk powder products***

The China Food and Drug Administration (the “CFDA”) promulgated the Administration Measures for the Registration of Formulas of Infant Formula Milk Powder Products (《嬰幼兒配方乳粉產品配方註冊管理辦法》) on 6 June 2016, pursuant to the which all formulas of infant formula milk powder products manufactured and sold domestically or imported shall be registered. CFDA further promulgated the Notice on the Administration in the Transition Period of

Registration of Formulas of Infant Formula Milk Powder Products (《關於嬰幼兒配方乳粉產品配方註冊管理過渡期的公告》) on 30 September 2016, specifying a transition period (until 1 January 2018) for such registration, pursuant to which the Infant Formula Milk Powder manufactured in or imported into China before 1 January 2018 can still be sold until the expiry of the shelf life of such products. The Company is working toward submitting the application during the first half of 2017 to register the formulas of its infant formula milk powder products.

- ***Health food dual-track system***

The CFDA adopted a dual-track registration and filing system for health food manufactured in or imported into China with its issuance of the Administrative Measures for the Registration and Filing of Health Food (《保健食品註冊與備案管理辦法》, “**Registration and Filing Measures**”) on 26 February 2016, and has promulgated a part of the supporting guidelines under the Registration and Filing Measures. The Company is currently reviewing these guidelines and will initiate the process for the registration and filing of its health food products when all necessary implementation rules are in place.

- ***Cross border e-commerce***

The regulation on cross-border ecommerce has been continuously evolving in the past couple of years and is expected to be further developed in the future. With the promulgation of the Notice on the Cross-border E-commerce Retailing Import Tax Policies (《關於跨境電子商務零售進口稅收政策的通知》) on 24 March 2016, cross-border ecommerce import is subject to, if applicable, customs duty, import VAT and consumption tax. Subsequently the list of tariff lines was issued and the registration, filing or approval procedures were put in place for formulas of infant milk formula powder products, health food and cosmetics.

The effective date of such registration, filing or approval requirements were initially postponed to 11 May 2017, and further postponed to the end of 2017 in accordance with a statement of the Ministry of Commerce issued on 15 November 2016. Pursuant to the statement, the regulatory authorities are simultaneously researching and optimizing the regulatory arrangement with respect to cross-border e-commerce.

- ***Discretionary settlement of foreign currencies under capital accounts***

The State Administration of Foreign Exchange promulgated the Notice on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement (《關於改革和規範資本項目結匯管理政策的通知》) on 9 June 2016, pursuant to which, enterprises registered in China could settle the external debts in foreign currencies to Renminbi under capital accounts at their own discretion. The utilization of such Renminbi funds obtained from the settlement is subject to specific limitations.

*Below financial information relating to the Company has been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. We record and publish our financial statements in Renminbi. Unless otherwise stated in this Other Information, all translations from Renminbi amounts to US dollars were made at the rate of RMB6.4778 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2015.*

## **Results of operations for the nine months ended 30 September 2016 compared to the nine months ended 30 September 2015**

### **Revenue**

#### ***Infant formula products***

Revenue within the infant formula products segment decreased by RMB59.6 million (US\$9.2 million) in the nine months ended 30 September 2016 compared to the prior corresponding period last year. This decrease was primarily attributable to the decline in sales volume and average selling prices for our ADiMIL™ branded products as a result of increased competition in the mid-tier segment and distributors reducing their inventory holding levels in anticipation of new regulations limiting the number of SKUs per manufacturer. However, revenue of our Biostime™ branded products increased resulting from the increase in average selling prices.

#### ***Adult nutrition and care products***

Revenue within the adult nutrition and care products segment increased by RMB282.7 million (US\$43.6 million) in the nine months ended 30 September 2016 compared to Swisse revenue for the nine months ended 30 September 2015. This increase was primarily attributable to increased demand for Swisse products in China, which was partially offset by the decline in revenue and gross profit in the third quarter compared to the corresponding prior year period, as a result of certain customers with trade into China destocking due to the uncertainty of new regulations in China.

#### ***Other pediatric products***

Our revenue from other pediatric products decreased by 7.2% in the nine months ended 30 September 2016 compared to the prior-year period. Revenue within the probiotics supplements segment increased by 22.1% to RMB331.4 million (US\$51.2 million) for the nine months ended 30 September 2016 from RMB271.5 million (US\$41.9 million) for the nine months ended 30 September 2015, as a result of increased retail sales due to cross-selling activities within our infant formula products segment. Our baby care products decreased by 70.8% to RMB29.5 million (US\$4.6 million) for the nine months ended 30 September 2016 from RMB101.1 million (US\$15.6 million) for the nine months ended 30 September 2015, due to intense competition from lower-cost imported diapers through e-commerce channels.

## **Other income and gains**

Our other income and gains was RMB204.3 million (US\$31.5 million), or RMB185.6 million (US\$28.6 million) excluding Swisse, for the nine months ended 30 September 2016 compared to RMB106.7 million (US\$16.5 million) for the nine months ended 30 September 2015. This increase was primarily attributable to (i) a net foreign exchange gain associated with drawn indebtedness denominated in USD under our Bridge Loan, Senior Facility and the Original Notes and related hedging instruments, and (ii) a net fair value gains on derivative financial instruments. This was partially offset by a decline in interest income from bank accounts.

## **Selling and distribution costs**

Our selling and distribution costs increased by RMB147.0 million (US\$22.7 million), or a reduction of 28.7% excluding Swisse, for the nine months ended 30 September 2016 compared to the nine months ended 30 September 2015 and increased by 10.9% including Swisse due to the inclusion of Swisse costs. This decrease was primarily attributable to decrease in one-off marketing spending in relation to the SN-2 PLUS launch in the first three quarters of 2015 and also a reduction in our headcount as a result of our reorganization in the last quarter of 2015 following our Acquisition.

## **Administrative expenses**

Our administrative expenses increased to RMB257.9 million (US\$39.8 million), or decreased to RMB155.6 million (US\$24.0 million) excluding Swisse, for the nine months ended 30 September 2016 compared to RMB187.7 million (US\$29.0 million) for the nine months ended 30 September 2015. Our administrative expenses excluding Swisse decreased by 17.1% due to decreased one-off transaction costs in relation to the Acquisition in the third quarter of 2015.

## **Other expenses**

Our other expenses decreased to RMB69.2 million (US\$10.7 million), or RMB62.5 million (US\$9.6 million) excluding Swisse, for the nine months ended 30 September 2016 from RMB275.0 million (US\$42.4 million) for the nine months ended 30 September 2015. This decrease was primarily attributable to net foreign exchange loss recorded in the first nine months of 2015 as a result of foreign currency translation effects.

## **Finance costs**

Our finance costs increased to RMB338.6 million (US\$52.3 million), which was the same excluding Swisse, for the nine months ended 30 September 2016 from RMB73.8 million (US\$11.4 million) for the nine months ended 30 September 2015. This increase was primarily attributable to an increase in interest expenses in relation to our Bridge Loan, Senior Facility and the Original Notes.

## **Income tax expense**

Our income tax expense increased to RMB345.6 million (US\$53.4 million), or RMB162.6 million (US\$25.1 million) excluding Swisse, for the nine months ended 30 September 2016 from RMB57.1 million (US\$8.8 million) for the nine months ended 30 September 2015. This increase was primarily attributable to the increase in our profits before tax as a result of the Acquisition and increased profitability of Biostime business in first nine months of 2016 compared to 2015.

## **Profit for the period**

Our profit for the period increased to RMB671.9 million (US\$103.7 million), or RMB374.6 million (US\$57.8 million) excluding Swisse, for the nine months ended 30 September 2016 from a loss of RMB144.2 million (US\$22.3 million) for the nine months ended 30 September 2015. This increase was primarily attributable to a lower revenue and profitability base in 2015, primarily resulting from our promotion expenses and discounting in connection with the launch of SN-2 PLUS and the increase in income from foreign currency effects and the increase in our finance costs resulting from our increased indebtedness in 2016.

## **Net cash flows**

### *Net cash flows from operating activities*

For the nine months ended 30 September 2016, our net cash flows from operating activities amounted to RMB908.9 million (US\$140.3 million) primarily driven by our strong EBITDA performance. Due to an increase in stock as a result of regulatory changes affecting the sales of Swisse products in China and increasing competitive pressures in our mid-tier ADiMIL products resulting in lower distributor orders, we wrote off RMB117.4 million (US\$18.1 million) in inventory and had our inventory increase by a further RMB107.6 million (US\$16.6 million) during the period.

### *Net cash flows from investing activities*

For the nine months ended 30 September 2016, our net cash flows used in investing activities amounted to RMB199.1 million (US\$30.7 million). Net cash flows used in investing activities for the nine months ended 30 September 2016 primarily related to the residual payment in relation to the Acquisition of RMB132.0 million (US\$20.4 million) and increase in time deposits of RMB217.0 million (US\$33.5 million). This was partially offset by interest received from time deposits of RMB139.4 million (US\$21.5 million).

### *Net cash flows from financing activities*

For the nine months ended 30 September 2016, our net cash flows used in financing activities amounted to RMB119.8 million (US\$18.5 million). Net cash flows used in financing activities for the nine months ended 30 September 2016 primarily related to repayments of bank loans of RMB4,740.5 million (US\$731.8 million), resulting from repayment of our Bridge Loan and local currency facilities, the repurchase of

the Convertible Bonds of RMB1,649.5 million (US\$254.6 million) in a tender offer and increase in the Escrow Account after the repurchase of Convertible Bonds in the tender offer of RMB950.8 million (US\$146.8 million). This was partially offset by new loans under our Senior Credit Facility and issuance of the Original Notes.

### ***Inventory***

As of 30 September 2016, our provisions for impairment of inventories was RMB137.1 million (US\$21.2 million).

### ***Trade and bills receivables***

As of 31 December 2015 and 30 September 2016, we had provided for impairment for trade and bills receivables and other receivables of RMB5.2 million (US\$0.8 million) and RMB4.3 million (US\$0.7 million), respectively. Such provisions were for individually impaired receivables relating to consumers that were in default or delinquent in making payments. We do not hold any collateral or other security over such impaired amount.

### ***Trade and bills payable***

As of 31 December 31 2015 and 30 September 2016, we had trade and bills payable of RMB618.7 million (US\$95.5 million) and RMB483.9 million (US\$74.7 million), respectively. The decrease at 30 September 2016 compared to 31 December 2015 was the result of seasonality of the Swisse business and a reduction in supply requirements in the third quarter.

### ***Current portion of other payables and accruals***

As of 31 December 2015 and 30 September 2016, we had other payables and accruals of RMB1,125.5 million (US\$173.7 million) and RMB929.7 million (US\$143.5 million), respectively. The decrease in other payables and accruals in the first nine months of 2016 was primarily due to the payment made to the sellers in connection with the Acquisition and payment during the 2016 period of certain marketing and promotions expenses that were incurred in late 2015.

### **Capital Expenditures**

Our net capital expenditures were RMB112.8 million (US\$17.4 million) and RMB76.6 million (US\$11.8 million) for the year ended 31 December 2015 and the nine months ended 30 September 2016, respectively.



**BIOSTIME INTERNATIONAL HOLDINGS LIMITED**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR  
LOSS AND OTHER COMPREHENSIVE INCOME**

**Nine months ended 30 September 2016**

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
REVENUE	4,686,701	2,857,856
Cost of sales	<u>(1,717,555)</u>	<u>(1,175,807)</u>
Gross profit	2,969,146	1,682,049
Other income and gains	204,289	106,740
Selling and distribution costs	(1,486,468)	(1,339,457)
Administrative expenses	(257,873)	(187,749)
Other expenses	(69,194)	(274,967)
Finance costs	(338,619)	(73,773)
Share of (loss)/profit of an associate	<u>(3,803)</u>	<u>17</u>
PROFIT/(LOSS) BEFORE TAX	1,017,478	(87,140)
Income tax expense	<u>(345,567)</u>	<u>(57,086)</u>
PROFIT/(LOSS) FOR THE PERIOD	<u>671,911</u>	<u>(144,226)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	(51,852)	—
Reclassification adjustments for gains included in profit or loss	21,882	—
Income tax effect	<u>8,991</u>	<u>—</u>
	(20,979)	—
Exchange differences on translation of foreign operations	51,561	(102,388)
Exchange differences on net investment in a foreign operation	<u>176,177</u>	<u>58,317</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>206,759</u>	<u>(44,071)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>878,670</u>	<u>(188,297)</u>

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit/(loss) attributable to:		
Owners of the parent	610,776	(144,226)
Non-controlling interests	<u>61,135</u>	<u>—</u>
	<u><u>671,911</u></u>	<u><u>(144,226)</u></u>
Total comprehensive income/(loss) attributable to:		
Owners of the parent	790,125	(188,297)
Non-controlling interests	<u>88,545</u>	<u>—</u>
	<u><u>878,670</u></u>	<u><u>(188,297)</u></u>
<b>EARNINGS/(LOSS) PER SHARE</b>		
<b>ATTRIBUTABLE TO ORDINARY EQUITY</b>		
<b>HOLDERS OF THE PARENT</b>		
Basic	<u>0.97</u>	<u>(0.24)</u>
Diluted	<u>0.96</u>	<u>(0.24)</u>



**BIOSTIME INTERNATIONAL HOLDINGS LIMITED**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**30 September 2016**

	<b>30 September 2016</b>	<b>31 December 2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Restated)</i>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	528,894	546,995
Prepaid land lease payments	60,657	61,765
Goodwill	5,314,709	4,937,296
Intangible assets	3,041,570	2,896,616
Bonds receivable	130,868	124,003
Loans receivable	46,848	54,896
Deposits	4,005	8,513
Investment in an associate	36,424	40,205
Held-to-maturity investment	18,892	17,901
Time deposits	—	70,159
Deferred tax assets	235,024	198,061
Pledged deposits	—	250,000
	<hr/>	<hr/>
Total non-current assets	9,417,891	9,206,410
<b>CURRENT ASSETS</b>		
Inventories	846,415	856,224
Trade and bills receivables	456,719	622,842
Prepayments, deposits and other receivables	133,157	218,980
Loan to an associate	40,000	40,000
Loans receivable	30,043	21,984
Derivative financial instruments	88,083	2,728
Pledged deposits	950,805	1,677,000
Cash and cash equivalents	2,067,288	1,198,235
	<hr/>	<hr/>
Total current assets	4,612,510	4,637,993
<b>CURRENT LIABILITIES</b>		
Trade and bills payables	483,903	618,711
Other payables and accruals	929,666	1,125,549
Derivative financial instruments	6,626	19,005
Interest-bearing bank loans	508,909	4,740,450
Convertible bonds	1,166,622	—
Senior Notes	193,662	—
Tax payable	246,442	175,609
	<hr/>	<hr/>
Total current liabilities	3,535,830	6,679,324
<b>NET CURRENT ASSETS/(LIABILITIES)</b>	<hr/>	<hr/>
	1,076,680	(2,041,331)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<hr/>	<hr/>
	10,494,571	7,165,079

	<b>30 September</b> <b>2016</b> <i>RMB'000</i> <i>(Unaudited)</i>	<b>31 December</b> <b>2015</b> <i>RMB'000</i> <i>(Restated)</i>
<b>NON-CURRENT LIABILITIES</b>		
Convertible bonds	—	2,659,057
Senior Notes	2,494,280	—
Interest-bearing bank loans	2,422,561	—
Other payables and accruals	27,117	28,696
Derivative financial instruments	97,635	—
Financial liability associated with a put option	1,563,469	—
Deferred tax liabilities	<u>924,326</u>	<u>875,083</u>
<b>Total non-current liabilities</b>	<u><b>7,529,388</b></u>	<u><b>3,562,836</b></u>
<b>Net assets</b>	<u><b>2,965,183</b></u>	<u><b>3,602,243</b></u>
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Issued capital	5,390	5,387
Equity component of convertible bonds	24,489	66,978
Other reserves	<u>2,929,956</u>	<u>3,220,787</u>
	2,959,835	3,293,152
<b>Non-controlling interests</b>	<u><b>5,348</b></u>	<u><b>309,091</b></u>
<b>Total equity</b>	<u><b>2,965,183</b></u>	<u><b>3,602,243</b></u>

\* *Certain items, such as intangible assets and goodwill, have been restated due to the adjustments made in relation to the finalization of the purchase price allocation for the acquisition of Healthy Times Inc., which has been reflected as a change to the 2015 comparative amounts in the interim condensed consolidated statement of financial position as at 30 September 2016.*

**BIOSTIME INTERNATIONAL HOLDINGS LIMITED****INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS****Nine months ended 30 September 2016**

	<b>Nine months ended 30 September</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(loss) before tax	1,017,478	(87,140)
Adjustments for:		
Bank interest income	(33,187)	(86,806)
Interest income from loans and bonds receivables	(8,770)	(8,470)
Finance costs	338,619	73,773
Depreciation	54,641	38,851
Amortisation of intangible assets	71,105	6,043
Amortisation of prepaid land lease payments	1,108	1,108
Loss on disposal of items of property, plant and equipment and intangible assets	2,792	208
Equity-settled share option expense	25,518	718
Equity-settled share award expense	20,826	28,973
Fair value gains on derivative financial instruments, net	(18,414)	—
Write-back of impairment of trade receivables	(1,246)	—
Write-down of inventories to net realisable value	117,375	5,551
Share of loss/(profit) of an associate	<u>3,803</u>	<u>(17)</u>
	<u>1,591,648</u>	<u>(27,208)</u>

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
(Increase)/decrease in inventories	(107,565)	135,669
Decrease/(increase) in trade and bills receivables	167,023	(5,797)
Increase in prepayments, deposits and other receivables	(20,393)	(52,073)
(Decrease)/increase in trade and bills payables	(134,808)	56,674
(Decrease)/increase in other payables and accruals	(278,388)	132,374
Decrease/(increase) in rental deposits	<u>4,027</u>	<u>(22,694)</u>
Cash generated from operations	1,221,544	216,945
Corporate income tax paid	<u>(312,619)</u>	<u>(223,541)</u>
Net cash flows from/(used in) operating activities	<u>908,925</u>	<u>(6,596)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	(67,180)	(91,795)
Proceeds from disposal of items of property, plant and equipment and intangible assets	11,347	160
Additions to intangible assets	(9,399)	(6,110)
Residual payment in relation to the acquisition of Swisse	(131,956)	—
Acquisition of subsidiaries	—	(5,995,325)
Repayment of loans receivable	5,502	22,496
Interest received	139,403	40,203
(Increase)/decrease in time deposits with original maturity of three months or more when acquired	(217,000)	686,010
Decrease in non-current time deposits	<u>70,159</u>	<u>1,054,000</u>
Net cash flows used in investing activities	<u>(199,124)</u>	<u>(4,290,361)</u>

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	<b>2015</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Exercise of share options	2,523	11,268
New bank loans	2,931,470	4,682,581
Repayment of bank loans	(4,740,450)	—
Repurchase of convertible bonds	(1,649,465)	—
Issuance of senior notes, net of transaction costs	2,575,085	—
Increase in pledge deposits for senior notes	(950,805)	—
Decrease/(increase) in pledged deposits for bank loans	1,927,000	(1,927,000)
Dividends paid	—	(196,050)
Dividends paid to non-controlling shareholders	(11,025)	—
Interest paid	<u>(204,153)</u>	<u>(4,361)</u>
Net cash flows (used in)/from financing activities	<u>(119,820)</u>	<u>2,566,438</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	589,981	(1,730,519)
Cash and cash equivalents at beginning of period	1,115,235	2,447,157
Effect of foreign exchange rate changes, net	<u>62,072</u>	<u>2,163</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>		
	<u><u>1,767,288</u></u>	<u><u>718,801</u></u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<u><u>1,767,288</u></u>	<u><u>718,801</u></u>