

[For Immediate Release]



**Biostime International Holdings Limited**

合生元國際控股有限公司

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

**2014 Interim Results Announcement**

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**Mama100 active members grew by 20.4% to 2.0 million  
Infant formula sales increased by  
17.7% by volume and 10.5% by value  
Profit for the period increased to RMB312.2 million**

**Financial Highlights**

<i>RMB'000 unless otherwise stated</i>	<i>For the six months ended 30 June</i>		
	<b>2014</b>	2013	% Change
Revenue	<b>2,188,974</b>	2,061,481	+6.2%
Gross profit	<b>1,345,601</b>	1,369,597	-1.8%
Profit for the period	<b>312,223</b>	297,507	+4.9%
Basic earnings per share	<b>RMB0.52</b>	RMB0.50	+4.0%
Interim dividend per share	<b>HK\$0.26</b>	HK\$0.25	+4.0%
Special dividend per share	-	HK\$0.19	N/A

(Hong Kong, 20 August 2014) **Biostime International Holdings Limited** ("Biostime" or the "Company", together with its subsidiaries, the "Group"; stock code: 1112), a premium pediatric nutrition and baby care products provider in China, announces its interim results for the six months ended 30 June 2014.

For the six months ended 30 June 2014, revenue was RMB2,189.0 million, increasing by 6.2% from the same period of last year. Profit for the period rose by 4.9% to RMB312.2 million. Basic earnings per share increased by 4.0% to RMB0.52. The Board of directors recommended the payment of an interim dividend of HK\$0.26 per share.

During the first half of 2014, despite intensifying competition in China's infant formula industry, sales of the Group's infant formulas increased 17.7% by volume and 10.5% by value, when compared with the same period last year. According to Nielsen, an independent third party market research firm, in the second quarter of 2014, the Group ranked third in terms of market share in China's offline infant formula market.

During the period, sales of infant formulas under the brand Adimil maintained strong momentum, accounting for 19.3% of the Group's sales of infant formulas. In view of consumers' positive feedback toward Adimil since its launch to the market in September last year, the Group stepped up investment in this new brand by increasing spending on marketing and building a dedicated sales force. These moves have led to rapid growth of Adimil across China.

Adimil (Changsha) Nutrition Products Limited (長沙素加營養品有限公司, “Changsha Adimil”) successfully renewed its National Industrial Products Production Permit for the production of infant formula products in May 2014. With this permit, Changsha Adimil can commence production of the new Adimil series with imported European milk sources, allowing the Group to launch the new series to the market before the end of this year. The management is confident that the new product will help further increase the market penetration of Adimil branded infant formulas in China.

Meanwhile, the Group’s three infant formula suppliers in Europe were successfully accredited by CNCA and registered with AQSIQ under the new regulation governing foreign infant formula producers. Therefore, the Group is now able to secure sufficient stable supply of high quality imported infant formula products from Europe.

Sales of infant formulas and probiotic supplements under the brand Biostime did not meet the management’s target during the first half of 2014, due to fierce competition and insufficiency of dedicated efforts. Therefore, the Group carried out a business unit restructuring, which was completed on 30 June 2014. Under the new business unit structure, the Group is confident that it will be able to achieve stronger business growth for each brand in the future with dedicated efforts of each team.

Sales of BMcare baby care products increased by 15.4% year on year. In May 2014, the Group trial launched a new series of diapers to the market. These products, which were available for sale in some selected stores, have since been well received by mother consumers. The Group intended to commence massive production of these diapers in the Group’s joint venture with Hangzhou Coco Healthcare Co., Ltd and the new products will be launched for sale nationwide before the end of this year.

The Mama100 membership continues to play a significant role in the Group’s business. The average number of Mama100’s active members increased by 20.4% year on year to 1,995,233 in the first half of 2014. During the period, the sales generated by Mama100 active members contributed to about 84% of the Group’s total revenue.

As at 30 June 2014, the number of the Group’s VIP baby specialty stores, retail sales organizations and VIP pharmacies increased to 16,941, 5,659 and 1,900, respectively. As an important measure of the channel management to avoid excessive inventory, the Group continued to track inventory and sales of its products at the distributors’ level. This has enabled the Group to maintain a sustainable business growth through an advanced real-time distribution management system. According to the real-time distribution management system, the inventory turnover days of the Group’s distributors was about 29 days on average in the first half of 2014.

In order to capitalize on the emerging trend of online purchasing, the Group established an Online-to-Offline (“O2O”) business model by integrating online ordering platforms and offline logistic resources of its VIP baby specialty stores. During the first half of 2014, O2O business contributed to 9.0% of the Group’s total accumulated points. The Group now operates its O2O model on four ordering platforms, including Mama100 APP, Mama100 WeChat Store, Mama100 Flagship Store on JD.COM and Mama100 Flagship Store on Tmall.com which was recently

opened in June 2014. By the end of the first half of 2014, the combined number of Mama100 APP users and Mama100 WeChat followers with registered accounts reached approximately 1.3 million. Currently around 14,000 member stores have joined the Group's O2O business, and the Group plans to select 3,000 stores from them to build O2O flagship stores, aiming to standardize service procedures and increase service efficiency to final users through these stores.

Looking ahead in the second half of 2014, Mr. Luo Fei, Chief Executive Officer of the Group said, "The management expects China infant formula market will continue to expand. According to Nielsen, the China infant formula market will grow at a CARG of 14% in the next three years, reaching a market size of 100 billion by 2016. At the same time, the promising prospects of this market keep attracting new entrants thus the Group expects the competition to remain intense. To capture the emerging business opportunities and cope with the challenging environment, we plan to take several strategic approaches. During the second half of the year, we will launch new series of Adimil infant formulas products in order to address the needs of a new range of infant formula consumers. We will also launch new baby diaper products so as to expand its business to reach the broader baby diaper market.

"In view of the irreversible trend of on-line shopping, the Group will accelerate its deployment in the e-commerce channel, by improving customer experiences from the Group's O2O business model, seeking cooperation with other renowned on-line ecommerce platform to carry out the Group's B2C model and progressively authorizing on-line retail stores to sell the Group products. To better cater nowadays young mothers' needs, the Group will continue to invest into new media and organize innovated customer communication events to win brand recognition. With the dedicated efforts ensured by each business unit, the Group is confident that it can sustain long-term growth."

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#### **About Biostime**

Biostime is a premium pediatric nutrition and baby care products provider in China. The company's family of products includes premium probiotic supplements for children, infant formulas and dried baby food products, and baby care products. The shares of Biostime have been listed on the Hong Kong Stock Exchange since 2010.

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