

**Biostime International Holdings Limited**  
**Operational Statistics For January To April 2015**  
**Investor Conference Call – Transcript**

**Event Date/Time: 4 June 2015/4:30pm HKT**

## **INTRODUCTION**

**Mr. Luo Fei - Chairman and CEO:**

Investors, good afternoon. The reason we are hosting a conference call today is because we have noticed quite a bit of fluctuation in our share price in the past two days. I believe it may be because some investors saw we are stepping up promotions, for example, the buy 3 get 1 free promotion, which made them worried about our future sales figures. Market speculation have surfaced and sparked some anxiety. We currently report on an interim and annual basis. Considering the fierce market competition, we would like to communicate on a timelier basis within the 6-month gap. So, the Board of Directors has made a decision, that from now on, meaning starting from this year's third quarter, we will communicate basic messages to the market with regards to our financials through announcements. Basically, this means, apart from the regular interim and annual periods, we will make quarterly announcements on our financials every May and November. Similar to the January to April figures we have just announced, the quarterly announcements will comprise revenue breakdown by product category, as well as the net profit. The Board of Directors made this decision, to increase transparency, and to communicate recent updates with our investors.

I will briefly go over our performance year to date. In 2015, the market competition is still intense. We will launch new packaging with optimized formulas under the Biostime brand in July this year. You are seeing some intensified promotional events in the market, as we would like to clear old products as much as possible before new products launch. This is beneficial to the whole new product launch plan. I have just said, we will launch our new products around July 1<sup>st</sup>, which will be supported by new commercials of our new products, new marketing concepts, on TV and online media, as well as to end-users and customers. I believe these initiatives would continue to help increase our market share. In fact, according to our own data, and data from professional association Nielsen, our market share has grew decently. In the first quarter or from January to March, our market share in the China infant formula industry grew from 5.8% in the same period last year to 6.3%. This is overall. In terms of offline, it grew from 7.5% to 8.0%. I believe everyone may be more concerned about the online market. In 2015, we will continue to promote this channel, our online market share grew from about 0.3% in the same period last year, to 0.9%, so nearly 1% market share. So online and offline, our market share is rising.

For the two channels for offline, last year our market share of baby store channel was 8.5%, and then Q1 we rose to 9%. And then for hypermarkets we were 5.9% last year, now we grew to 6.1%. So in the first half of the year, we are very happy with the growth in market share.

Just now as I said, as in July there will be new products launched, we have done some larger scale promotion activities and events. Because of the promotion activities, for example, the buy 3 get 1 free activity, sales revenue came down. So from January to April, for instant formula in terms of sales, there is negative 4% growth, but it is actually growing in terms of volume. Overall speaking, we work according to our marketing plan. We believe that in the second half of the year, after new products are launched, in the future we will be able to grab bigger market share.

Some people said we are going to launch new products, and may be wondering if it is going to affect channel inventory. For our distributors, the inventory turnover days, usually it is capped at around 30 days. For channel inventory in May, turnover is around 24 days. So we are trying to clear inventory and we did not place more products to our channels, so we would like to launch the new products in a healthier manner. We think that this is a very normal figure.

And in the second half of the year, we are going to launch new products as said just now, and in the future in the coming period, we will be able to perform better.

At present, if you look at our channels for new stores, there are 26,000 odd baby stores in Q1. We have 6,000 supermarkets, in this channel we did not increase many stores. We have increased more pharmacies, and we also saw quite rapid growth in this channel, reaching 4,600. At the beginning of the year, we said that for drug stores, it is rapidly growing channel, and we are opening stores according to plan.

So we are in a normal operation condition. Today, we are hosting this conference call, we would like to share with you financial data from January to April, and we would also like to answer some of your questions during this meeting. So we would be happy to take investor questions, and we can have some discussion too. Now, let's see whether you have any questions to ask.

## QUESTIONS & ANSWERS

**Operator:**

[Operator instructions] First question from BOCI, Feng Dan Dan.

**Ms. Feng Dan Dan, BOCI:**

Mr. Luo, management team, good afternoon. Thank you for enhancing transparency, your information disclosure. I have two questions.

First, I realize, that on average for each store, the number of active users is coming down. So, if it is comparable with same store sales, then same store sales is also coming down. I know that there is still a lot of room for penetration by various stores and in the future, it will be a sales growth driver if you open more stores. But if you look at same store basis, is there any way to change the situation about the loss of active users and decline in same store sales?

Second question, concerning the whole year sales indication or guidance. How much would it be? Would there be positive growth?

I have one more question, my third question is about the O2O platform. Right now, I can see that some third-party brands are working with you. They are being sold on your platform. When these third-party brands are sold, they are competing with other mature e-commerce like JD, Yihaodian, what are your competitive advantages? You have 20-odd thousand stores selling children's and infants products, and there can be quick delivery. But if you are looking at JD.com, they are also using third-party convenience store resources to deliver products to consumers' homes. So this kind of home delivery service is also being enhanced, so your volume on your platform is not as big. So what are your competitive advantages when you sell third-party brands? Thank you.

**Mr. Luo Fei - Chairman and CEO:**

Thank you, thank you for your questions.

First, about same store growth. In terms of the pace of our store opening, starting last year, we increased the number of stores opened. In 2013, around 10,000 stores, and in Q1, we have 26,000 stores, so we have opened more stores. And of course, this will divert some sales and output from single store. But the good point is, we will be able to enhance product-selling ability, so right now our market penetration is about 50-odd percent. So this is good for our distribution.

For stores opened before 2012, we have done some statistical analysis. In Q1, for those stores opened in 2012, the same store sales has dropped by 2%. But for stores opened after 2012, there was growth and there was rapid growth really.

So to answer your question, in the future, how are we going to make sure that our same store sales can continue to grow? Now, together with our new products, we are going to manage our stores by category. So in other words, we will evaluate our stores, and some resources, maybe divert to better stores in the second half of the year. We will do this together with the launch of new products. For example, for some stores, monthly sales would be about 20,000, 30,000 (membership) points, and we will re-organize our resources, and divert some of these to these old stores.

Concerning whole year performance or guidance, we are working according to our plan. Our market share was rising in first half. There will be new packaging, new products, new advertising, and I believe that we will see growth in our market share. So this projection will not change. Overall speaking, we will get growth in market share.

Your third question is about Mama100. Now, we had already brought in some third party brands. Recently, together with a company called Kiddy which is a German infant car seat brand, we are working together. So, this brand had given us quite a lot of support, so the price offered to members Mama100, is more favourable. Why? Why do they give us this support? Because originally, they operate a lot on online. And if you look at B2C platform, when they increase market share online, they have to invest more. After cooperating with us, they are thinking of penetrating offline. In other words, from online to offline. This is their long-term consideration. So that's why this move has been quite good. We are also looking at other brands, so some brands have already got business online, they would also like to move offline, and they hope they can penetrate offline. So through Mama100, they hope to achieve their business goals. So you just mentioned the O2O platform. I should not comment on other platforms, but we do have competitive advantages. We do have stores to give us support. For the Mama100 business model, we have been exploring how to realize the offline strategic consideration. And we want to see how the stores can also tie in with the mobile internet model. So we have just started, and we have enjoyed a good start. With Kiddy, we are cooperating with this German brand, and we are in conversations with some brands. In the future, we hope to bring in more brands, thank you.

**Ms. Feng Dan Dan, BOCI:**

Concerning your guidance, I would like to clarify about your sales, you will see positive growth for the full year? Is that right? Including the factor of discount, and sales promotion, and then you will get bigger market share?

**Mr. Luo Fei - Chairman and CEO:**

Well, in the future we are going to launch new products. And we have done preparation, normally we should not be giving much promotion. Starting July 1<sup>st</sup>, after launching the new products, we hope consumers will see more of our brand building and they will see more value in our products. I just said that for whole year, our market share will increase. If we do not do the buy 1 get 1 free promotion, there should be some growth.

I know that you are concerned about our sales promotion. Now, because we want to launch new products, that's why this sales promotion. Now of course we have to have consideration of our overall business plan in the future. In the first half of the year, our market share increased, in the second half, with the new products and also our marketing plan, we will be able to grow our market share. Starting July 1<sup>st</sup>, we will stop the buy 3 get 1 free arrangement.

**Ms. Feng Dan Dan, BOCI:**

Concerning ASP, how does it compare?

**Mr. Luo Fei - Chairman and CEO:**

Well, we have not made adjustment to our suggested retail price.

**Ms. Feng Dan Dan, BOCI:**

Okay, thank you. Thank you.

**Operator:**

Next question please.

**[Analyst]:**

Mr. Luo, good afternoon, thanks for spending time to communicate with investors. We are a fund in London. We are rather anxious about recent incidents, and we have heard some information from Hong Kong. Today, you are holding this conference call so I don't think there is any problem with communication. Thank you Mr. Luo. I have some questions.

First, you talked about market share. I don't know which market share you are talking about, are you referring to volume, or sales amount? Then I'd also like to know, I want to get some figures for Q1 for the whole industry. Sales growth was healthy around 10%. You said that your market share is growing, so if you refer to the logic, sales for whole industry is growing, and if you can continue to grab more market share, so logically speaking, this year, there should be positive increase for your sales? Because there are problems related to sell-through and sell-in issue. Referring to the Nielsen recent figures, would there be a big discrepancy? That's my first big question.

Second big question is in Q1, net profit has risen. What are the major reasons behind? Some analysts said that this is because of your cost advantage. And your cost advantage would only be realized after Q2. In Q1, have you already realized your cost advantage?

Third question, about your online business, your online business is very good. Even without new products, you are able to grow your market share. Now, what is your next plan? You said that market share is around 1%, do you have any ambition? Do you have a big goal to increase your share online? These are my questions, thank you. Thank you.

**Mr. Luo Fei - Chairman and CEO:**

Concerning sales growth, Nielsen's figures are based on sales revenue. So it is based on retail price, the final end price. So the statistical basis is consistent. So it is based on retail sales, so that's why our market share has risen.

When we work out our sales report, we calculate based on our selling price to distributors, and when we do sales promotions to clear old products, we arrange a buy 3 get 1 free arrangement, for example, for 3 cans of instant formula we give out one can for free for consumers. So when you calculate the sales revenue, it becomes smaller. So you are understanding it right.

Then your second question about profit growth, last year in the first half, we did a business unit split, we hired new employees in 2014. Expense ratio was high, higher than normal level, and now it has resumed to normal level. That's your second point.

If you would like supplement, my colleague Frank can supplement on the second question.

**[Analyst]:**

I think you talked about opex expenses. I think most of us buy side and sell side are more interested about cost. As you know, your production cost are mainly about instant formula, and they're priced in Euro.

**Mr. Luo Fei - Chairman and CEO:**

It is not about production cost, right, that's not the biggest contribution, the major factor is we did a business unit split and put in a lot of money.

**Mr. Frank Cao - CFO:**

Okay let me supplement. When we announced the figure, we would not give a lot of details. We would not be reporting as in the interim report. But I think you are interested in what had happened in the middle of sales and profit. I can share with you some critical ratios. First of all, as Mr. Luo just said, for our net profit margin, because of the expense ratio compared same period last year, it has come down because of the business unit split, it started last year, and this year will resume normal.

And if you look at gross profit, I think this is a question you are interested in. For gross profit, from January to April, we did sales promotion, so it impacted on gross profit. If deduct this factor, if we deduct this impact from sales promotion, our gross profit has risen by about 1%. So in other words, starting from July 1<sup>st</sup>, if we maintain the same promotion as in last year (there will still be promotion but there is no such reason of clearing old products), then our gross profit will be more positively

reflected in our financial statements. And for Euro exchange rate, it has not been totally realized in our financial statements, the impact has not been totally seen. Because the inventory, it takes about 4 months to digest the inventory. So starting from May, the impact of exchange rate will be reflected in our financial statement.

**Mr. Luo Fei - Chairman and CEO:**

The third question is about B2C business, our online business. Our team had already given some introduction in London. We started to organize the work in second half of 2014 and we've been doing quite well. In the future our goal is, of course, for online business, we hope our ranking can match our offline position. We are on the 5<sup>th</sup> position overall. And for the baby store channel, we are in the 2<sup>nd</sup> position; for KA, we are in the 6<sup>th</sup> position. So for the full year, for offline, including the infant stores and KA, we are on the 3<sup>rd</sup> position.

For online, we have got 1% market share. So we are still not included in the same range of ranking as offline. Perhaps we are on the 10+ position. So we'll continue to work hard. We hope that in the future we can be included in the ranking list. Thank you.

**Operator:**

Next question please. From HSBC, Chris.

**Mr. Chris Leung, HSBC:**

Mr. Luo, can you hear me?

**Mr. Luo Fei - Chairman and CEO:**

Yes.

**Mr. Chris Leung, HSBC:**

Mr. Luo. I have two questions. This year in the first four months, how much is the increase in sales volume? I think we want to know the volume growth. The next question is about expenses. Starting from July, there'll be new packaging, and there will be some advertising. For the whole year, regarding your expenses, comparing with the first half and last year, how much increase do you think there will be?

**Mr. Luo Fei - Chairman and CEO:**

Actually, on average, for Adimil and Biostime, there will be 3% growth. For Adimil, volume growth is even bigger. For Adimil volume growth, I think it is around 15%. That's about volume increase.

For expenses ratio in the second half, our plan is within market expectation. There will be new advertisements, there will be investment in media and also channel activity. All these within the yearly budget. At the beginning of the year, we already shared the concept with you.

**Mr. Chris Leung, HSBC:**

And so, you know about the expense level of last year, so you don't think that there'll be a big change in your expense ratio?

**Mr. Luo Fei - Chairman and CEO:**

I don't think there will be a big change. Because, according to the annual budget, we had worked out the TVC expenses, and it is within the annual budget.

**Mr. Chris Leung, HSBC:**

Okay, I understand. Thank you, Mr. Luo.

**Mr. Luo Fei - Chairman and CEO:**

So the expense ratios will be more or less the same as last year.

**Mr. Chris Leung, HSBC:**

Okay I see, thank you.

**Operator:**

Next question please, a question from a fund.

**Mr. Cao Bingchao, Xingtai Capital:**

Mr. Luo – I have a few questions to ask. First of all, last night, there are figures about revenue and profit – are they in the same accounting practice or rules? Or are they in accordance with the mainland accounting rules?



**Mr. Frank Cao - CFO:**

Well, we work according to the IFRS rules.

**Mr. Cao Bingchao, Xingtai Capital:**

Okay, then I have a question about seasonal factor. If you look at revenue and profit for the first 4 months, the first half and also on a per month basis, it seems the profit accounts for a much smaller share than revenue for the first half. So it is true for May and June, there was something special happening, so that profit margin has increased a lot? In the first half of last year, overall revenue was less than 2.2 billion, but in the first four months, 160 million. So, I don't know why there are these figures.

**Mr. Frank Cao - CFO:**

Of course, business operation would not be exactly the same every month, according to the same ratio. In a very long term, your sales and expenses of course are according to proportion or ratio. But if you look at a particular month, there will be different factors affecting actual numbers. Every year, for January to April, in between there is a Chinese New Year. This year, there was only one week for us to make delivery of the products. So in the first few months, the share comparing with half year share, the share is not really proportionate. This is normal.

**Mr. Luo Fei - Chairman and CEO:**

I think every year, more or less, the pattern the same. If you refer to past year's report, you can see this conclusion comparing first half and second half.

**Mr. Frank Cao - CFO:**

In the future, we will announce results on a quarterly basis then you will have a better understanding.

**Mr. Cao Bingchao, Xingtai Capital:**

Okay. Now there is the Chinese New Year factor, but then revenue growth did not slow down. In first 4 months, it is 2/3 of the half year, but then for profit, it only account for one half of the total. So for the first 4 months, so profit margin much worse than May and June added together? But the profit does not show this ratio. I do not think the only effect is the Chinese New Year. Your revenue did not slow down, but profit slowed down. So I want to understand why.

**Mr. Luo Fei - Chairman and CEO:**

I said just now that there are two points. First, the input, the investment and sales, in between these two there's a time gap. We have to make plans to make investments.

**Mr. Cao Bingchao, Xingtai Capital:**

Okay, I understand. Besides, Mr. Luo, I hope you can clarify the following. At the end of last year, concerning cost control, you had already completed a budget, and was that based on the second half of last year, or first half of last year? In the first half last year, there was some adjustment in your sales team so expenses were on high side. So for this year, this year's cost control, will it be based on the first half of last year?

**Mr. Luo Fei - Chairman and CEO:**

We work based on yearly plan for the expense ratio.

**Mr. Cao Bingchao, Xingtai Capital:**

Will it be lower than the whole of last year? Are you using last year as the reference point?

**Mr. Luo Fei - Chairman and CEO:**

We work on a yearly basis. In 2015, our expense ratio will be more or less the same as last year.

**Mr. Cao Bingchao, Xingtai Capital:**

Okay. But there won't be a big difference between first half and second half. So, unlike last year, last year in the first half it was particularly high and in the second half it was stable, right?

**Mr. Luo Fei - Chairman and CEO:**

We have yearly plan, for advertising we have to make sure it ties in with new product launch. Next month, you will see the advertisements input for the product launch. So we have to look at the whole year. We will make investments with fluctuations according to the market.

**Mr. Cao Bingchao, Xingtai Capital:**

Okay. Some time ago, someone said for Mama100, the introduction of strategic investors will be a bit late, and it also involved A-share issue. So if you look at the technical, for the Mama100 structure, what

else has to be done? In order to list the company on the A-share market? What other technical work would have to be done for Mama100?

**Mr. Luo Fei - Chairman and CEO:**

Well, it is a long term plan. Whether or not it can be listed is another thing. Now the structure is a VIE structure. So, overseas we have Mama100 International Holdings Limited, and in Mainland China, there is another company holding ICP. For e-commerce, there is a need for an ICP Certificate, and foreign companies are not allowed to do that. So we do this based on VIE. Then this year, the State council had done some major adjustment. In the future, the ICP permit or certificate may be open to foreign enterprises. In that case, we don't need the VIE structure. So that is why we have still not finalized what the actual arrangement is. Perhaps we have to split up the VIE structure, we may have to remove the VIE structure. We (as a foreign enterprise) may be able to get the ICP permit, this is already allowed in Shanghai as we know, and in Guangdong, this is also under way. After that is finalized, we can apply for an ICP permit as a foreign enterprise, then we don't need the VIE structure. So if we bring in foreign investors, then have to wait until this is completed. But our business is under way according to plan, there are some brand partners whom we are working with.

**Mr. Cao Bingchao, Xingtai Capital:**

Okay. So, for the VIE structure, will you have to first sort out this structure, and then get investors and then you will work for A-share listing, right?

**Mr. Luo Fei - Chairman and CEO:**

That is our plan.

**Mr. Cao Bingchao, Xingtai Capital:**

Yes, I understand. Okay, I have no more questions, thank you.

**Operator:**

Next question.

**Pinpoint Analyst:**

Good afternoon. In Q1, from January to April, the situation is so-so. But what about the whole industry? Have you looked into other competitors? Did they suffer from negative growth?

**Mr. Luo Fei - Chairman and CEO:**

Now, there are some data. For the whole industry, there is still 10% growth, in terms of the final end sales. In this industry, competition is getting more and more intense. This industry is not very consolidated. For the whole industry, there's still 10% growth, I think it is quite okay, it is still pretty good. We cannot comment on other companies' performance.

**Pinpoint Analyst:**

Then what is your growth in market share overall speaking for Q1?

**Mr. Luo Fei - Chairman and CEO:**

Online plus offline - So we grew from 5.8 to 6.3%. In market share for offline, 7.5 to 8.0%. Online, 0.3% to 9.something%, almost 1%. There is growth in both offline and online.

**Pinpoint Analyst:**

What about competitors? How much did they grow?

**Mr. Luo Fei - Chairman and CEO:**

I think you can try to get the data from other channels, because I am not in position to give the information.

**Pinpoint Analyst:**

Do you have plans to expand nutritional supplements category this year?

**Mr. Luo Fei - Chairman and CEO:**

You can read from our announcement, there's slight revenue decrease because our US supplier is supplying organic products. They are expanding production line. Last year in Q4, they made adjustment and testing and the production was not that stable, so supply was rather tight. So from last year Q4 until now, we are controlling volume. So that is why there was the problem. Now the production line has been adjusted. The adjustment has completed, so in the second half we should see quite good growth.

You talked about baby food – so far we have not got this product line yet. We are thinking whether we should introduce baby food, now we are in the planning stage.

**Pinpoint Analyst:**

So it is because of a lack of production capacity?

**Mr. Luo Fei - Chairman and CEO:**

Because our upstream US supplier, they want to update their production line, they wanted to expand production capacity, so at the beginning, production was not that stable. So there was supply shortage.

**Pinpoint Analyst:**

But when they adjust their production, they should have talked to you right? Then you can turn to other suppliers.

**Mr. Luo Fei - Chairman and CEO:**

But we are talking about organic products, so there was not much choice of such supply.

**Mr. Chris Leung, HSBC:**

Mr. Luo, sorry I have a follow up question. I remember that during results announcement, you said that this year you have an intention to do some acquisition. So this year, is it true that your direction is the same as what is said in March? Is there any new information to share with us?

**Mr. Luo Fei - Chairman and CEO:**

Things are underway, but final decision have not been made yet. So I am sorry that I do not have more information to share now. If there is further updates, we will disclose by way of announcement but everything is still underway.

**Mr. Chris Leung, HSBC:**

Okay, thank you!

**Ms. Feng Dan Dan, BOCI:**

Mr. Luo, I have one more question. For your Changsha factory for the Adamil product, how is their sales? How much is their ratio of the infant formula sales?

**Mr. Luo Fei - Chairman and CEO:**

For the Changsha factory, last year we started production in December last year, and now products are being sent to the channels. It is difficult for me to give you accurate figure, because some products are delivered together with the import Adimil series, so things are according to our plan.

**Ms. Feng Dan Dan, BOCI:**

For the selling price, it is lower than existing selling price. So what is the impact on the overall? What is the ratio?

**Mr. Luo Fei - Chairman and CEO:**

I cannot give you a detailed ratio. But according to our plan, it will be ten plus percent of our whole series. I said just now, there are a lot of products, which are together with the import series, being launched in stores. For Adimil, it is quite new, we hope that in 2015 we can do some external publicity. This year for Adimil brand, we'll invest some resources, we have signed agreement with some pop star for him to be our spokesperson. So in the second half, there will new advertisements with pop star being featured on TV, and on various channels.

**Ms. Feng Dan Dan, BOCI:**

OK, for these less expensive products, for whole year, what is the target share of its share of the total infant formula sales?

**Mr. Luo Fei - Chairman and CEO:**

For the Changsha production, we hope that it can be more or less the same as the imported line. So we are talking about sales.

**Ms. Feng Dan Dan, BOCI:**

50%?

**Mr. Luo Fei - Chairman and CEO:**

We do have this plan. But we have to look at the actual result.

**Ms. Feng Dan Dan, BOCI:**

You mean 50% of the total infant formula or 50% of Adimil?

**Mr. Luo Fei - Chairman and CEO:**

No, it cannot be 50% of the total infant formula.

**Ms. Feng Dan Dan, BOCI:**

50% of Adimil?

**Mr. Luo Fei - Chairman and CEO:**

Yes we hope so, but it depends on the actual market circumstances.

**Ms. Feng Dan Dan, BOCI:**

Then what about the share of Adimil of of the total sales of infant formula? I mean sales figure.

**Mr. Luo Fei - Chairman and CEO:**

Adimil. Over total, around 20%

**Ms. Feng Dan Dan, BOCI:**

Is that your full year target?

**Mr. Luo Fei - Chairman and CEO:**

More or less, right.

**Ms. Feng Dan Dan, BOCI:**

OK, thank you.

**Operator:**

First Shanghai securities please.

**First Shanghai Securities Analyst:**

I am sorry, this speaker is not coming through. There are different brands in the market. They are selling imported products. They are selling brands imported from overseas. And I think they offer some

favorable terms. Given this background, all these brands are competing together, and in terms of brands, if you look at ecommerce, and overseas brands, they also do a lot of promotions. So if you look at infant formula, if you look at their price and profit margin trends, what kind of patterns or trends do you see? Can you share your view on the broad market environment?

Today if you look at ecommerce products... In the future, are you going to turn yourself into whole platform of ecommerce? So will infant formulas from competitors be sold on our platform, or just products supplemental to our existing products?

**Mr. Luo Fei - Chairman and CEO:**

I can't hear you clearly because there is some echo from your telephone line. But I guess you want to ask about industry competition.

Looking at the data, if you look at the ASP in industry, there'll still be upside. It is rising. But then it is different from our original thoughts. There are channels – ecommerce, digital channels, and there are new product sets may be launched. So for industry, there is 10% growth on average, because more and more companies are launching high end products. So that's the phenomenon.

For the Chinese infant formula industry, it is more diversified. Some others may buy infant formula at 99 yuan, but some may will buy at 300+ yuan. So different consumers have different demand. So in the future I believe that all these brands and products will coexist. In the past two years if you look at whole industry, volume did not increase a lot. This year or in the past two to three years, besides 2011 and 2012, volume did not increase a lot. Sales increase and business growth are mainly driven by ASP increase.

So my judgment is in the future, no matter how the competitive landscape is, consumers are diversified. So that's why we have to launch different brands to market. In 2013, we started to make plans. Apart from the core brand, we launched Adimil in 2013. And there are different customer preferences, and product positioning in order to satisfy market needs.

In 2013, 2014 and 1H this year, you just mentioned ecommerce, and overseas brands that have entered China. Competition is intense. Given this environment, in 2013, 2014 and the first half of this year, we're still surviving quite well. We are increasing our market share continuously. So it depends on the enterprise operation and the brand. We have to take an overall review.

About Mama100, our plan is to look at the supplementary categories, such as baby shoes, baby car seats, etc. And so far we haven't started introducing infant formula brand to our platform. Thank you.



**Operator:**

Another questions please.

**[Analyst]:**

I have two questions. First, concerning the increase in the number of active members in the first quarter, it looks good. For active members, I think it's highly correlated to the good performance. Is that correlation still there? Good growth in members means that your sales would be very good right? Is there still this correlation? In the future what do you think of the increase in the number of active users, or members, based on your Q1 position?

My second question is about online. You just said that you began the online operation and market share is only one per cent. I think you will go through Ali and JD.com, and third party delivery. You have got very strong offline store support. Have you started to work on click-and-collect, so people can book online? In the US and Europe this is quite common. If you have very strong offline network, then you can save a lot of cost. Comparing with other brands, this is a big competitive advantage of yours, so have you started to do this? There are my two questions.

**Mr. Luo Fei - Chairman and CEO:**

Alright. For number of members. Now, because there are rather many channels, [like] we have e-commerce. So in some other channels, we cannot get member information. There are many product categories as well. So, people can become active members even if they buy some small categories, like BMcare, I think the correlation will not be as direct as before. But for sure, it's an important indicator. The number of active members.

We have done some plan in coming two to three years, we hope to have three million members for Mama100 and also the third party brands on our Mama100 platform to contribute more members to us, So There will be development opportunities.

You just talked about click-and-collect for Mama100. In 2013, we already launched O2O model, the online-to-offline model. That is in place already. Thank you. Thank you.

**Operator:**

Because of time constraint, let's take the last question.

**Mr. Cao Bingchao, Xingtai Capital:**

Mr. Luo, I have two quick questions. First, in the first four months of this year, did the profit include any one-time positive or negative factor? Is that any one-time gain, provision, loss? Or is the result profit purely from operation?

**Mr. Luo Fei - Chairman and CEO:**

No, there isn't one-off item. You are asking about the gain from sale of assets. So all the profits from operations.

**Mr. Cao Bingchao, Xingtai Capital:**

Okay, I see, second question. You just talked about the promotion of "Buy-3-get-1-free", in the past four months, how long is the sales promotion period? One month or how long? And then in May and June, how much more of the coming period will the sales promotion period last?

**Mr. Luo Fei - Chairman and CEO:**

We did three such events, every time it lasts for two weekends.

**Mr. Cao Bingchao, Xingtai Capital:**

So 2 days for one weekend, right?

**Mr. Luo Fei - Chairman and CEO:**

Right, so ten days, roughly.

**Mr. Cao Bingchao, Xingtai Capital:**

So altogether three events. Each period cross two weekends, so around 10 days. So in the first half around 30 days, right? Then 20 days fall in the first four months, and 10 days in last two months?

**Mr. Luo Fei - Chairman and CEO:**

Oh, I really cannot give you details right away. But on average, we had done 3 such events, but for some channels the time period is not the same. For some channels, they might start this week, but for some channels they might start in another week. All these events and activities are not simultaneous in supermarket and baby store channels. They do not happen at the same time. So it's difficult to tell, and difficult to give you exact duration or details.

**Mr. Cao Bingchao, Xingtai Capital:**

OK, understand thank you.

**Mr. Luo Fei - Chairman and CEO:**

Any questions? No? Then let me do a conclusion.

Overall speaking, we hope Biostime can proceed according to our strategic direction. Competition is more and more intense in the industry. If you look at the first half of this year, and 2013 and 2014 results, given the operating environment, we are still growing continuously. In the future, while there are a lot of uncertainty, we want to enhance our transparency. We will share with you our figures as much as we can. Of course we will comply with internal information disclosure principles as a listed company. So in the process, investors have to understand our position - there are things we cannot share, and there are things we can share. So we will make sure that we'll abide by laws, and we will give as much information as possible. Thank you for your long term support, thank you.