

[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)

2011 Annual Results Announcement

**Profit for the year surged 98.5% to RMB527.4 million
Growth momentum remained strong and
product portfolio further enhanced**

Financial Highlights

<i>RMB'000 unless otherwise stated</i>	<i>For the year ended 31 December</i>		
	2011	2010	Change (%)
Revenue	2,189,034	1,233,560	+77.5
Gross profit	1,456,127	877,173	+66.0
Profit for the year	527,351	265,683	+98.5
Operating profit for the year	459,151	265,773	+72.8
Net cash flows from operating activities	516,212	381,012	+35.5
Basic earnings per share (RMB)	0.88	0.58	+51.7
Annual dividend per ordinary share (HK\$)	0.76	0.20	+280.0
Paid interim dividend per share (HK\$)	0.16	-	n/a
Final dividend per share (HK\$)	0.27	0.20	+35.0
Special dividend per share (HK\$)	0.33	-	n/a

(Hong Kong, 21 March 2012) **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, announce its annual results for the year ended 31 December 2011.

During the year 2011, the Group achieved revenue of RMB2,189.0 million, increasing 77.5% from RMB1,233.6 million in 2010. Gross profit amounted to RMB1,456.1 million, increasing 66.0% as compared with 2010, which was in line with the increase in revenue. Profit for the year amounted to RMB527.4 million, representing an increase of 98.5% from RMB265.7 million in 2010. Basic earnings per share increased to RMB0.88 in 2011 from RMB0.58 in 2010. The board of directors of the Company has recommended the payment of a final dividend and a special dividend of HK\$0.27 and HK\$0.33 respectively per ordinary share.

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During the year, gross profit margin decreased from 71.1% in 2010 to 66.5% in 2011, mainly due to: (i) product mix impact, resulting from the higher revenue contribution from high-tier infant formulas, which has a lower gross profit margin than supreme-tier infant formulas, and the increased proportion of revenue derived from infant formulas, which has a lower gross profit margin than that of probiotic supplements; (ii) the higher purchase prices of infant formulas charged by the supplier and the increased labour costs of production; (iii) the increased cost of redeemed goods resulting from the higher redemption rate of Mama100 membership points.

The selling and distribution costs as a percentage of total revenue decreased from 36.4% in 2010 to 32.4% in 2011. This is primarily due to the effective implementation of database marketing activities through Mama100 Membership Program and sophisticated value chain management, which enable us to effectively lower the new member acquisition cost and enhance the members' loyalty.

As a premium provider of high-end pediatric nutritional and baby care products in China, Biostime has been active in the development, marketing and sales of premium products for babies in China which are increasingly popular among mother consumers. According to China's Infant Formulas Market Report For The First Half of 2011 prepared by *The Nielsen Company*, within the supreme-tier segment of China's infant formulas industry, Biostime was the first player by sales with the largest market share of approximately 44.0% in the first half of 2011, while within the high-tier segment the Group's market share was 7.4%, ranking at the sixth place.

In order to fulfill different needs of our customers, the Group continued to enrich its product portfolio. In September 2011, the Group entered into its nutrition supplements category by introducing to the Chinese market two new series of products, milk calcium tablets and DHA soft chews/ capsules for children and mothers. These new products have received an immediate positive feedback from the market, by achieving RMB27.5 million sales revenue from September to December 2011 and accounting for 1.3% of the Group's total revenue. This new segment has further helped to diversify the Group's product portfolio and extended the lifecycle.

As for product supply, while deepening the collaboration with its existing formulas supplier in the field of quality control and supply, the Group also jointly developed and conducted product trials with other European infant formulas manufacturers to consolidate its supply capacity and fulfill an increasing market demand. Starting from December 2011, a new infant formula supplier started producing infant formulas for the Group. This additional supply source will enable the Group to ensure a sustainable, stable and qualitative supply of its infant formulas powders. In February 2012, the Group also opened a new laboratory facility in France, dedicated to the quality control of its infant formula powders produced in Europe.

Furthermore, Mama100 Membership Platform continued to play an important role in the Group's achievements. As at the end of the year of 2011, the number of Mama100 active members and member retail outlets increased to 825,230 and 10,240 respectively, up 77.3% and 79.5% as compared with the previous year. The sales generated by Mama100 active members contributed to about 78.0% of the Group's total revenue. Mama100 Membership Platform will continue to enhance cross-selling and support a series of database marketing activities through real time distribution management system and point accumulation system, enabling the Group to achieve higher sales and promotion efficiency.

Meanwhile, to facilitate the expansion of our sales and distribution channels, the Group increased the number of sales offices in Mainland China from 62 to 87 while continue to providing extensive training to its sales team in order to support the expansion of its business nationwide. As at the end of the year 2011, the number of VIP specialty stores and the number of Mama100 Member's Zones in pharmacies and supermarkets covered by the Group rose to 6,727, 545 and 2,968 respectively, representing increases of 82.5%, 81.1%, and 73.0% respectively compared to 2010.

The infant formula business segment remained the major revenue contributor of the Group in 2011, with its revenue increased significantly by 112.3% to RMB1,684.7 million in the year ended 31 December 2011, accounting for 77.0% of the Group's total revenue in 2011. The increase in revenue reflected the Group's increased market share in China's infant formulas industry, expansion of sales network, and greater market recognition. Thanks to the newly introduced Biostime Golden Care Infant Formulas launched in May 2010, the revenue of high-tier infant formulas, including Biostime Golden Care Infant Formulas and Biostime Premium Infant Formulas, increased by 129.8% in 2011 compared with 2010. The revenue of supreme-tier infant formulas, including Biostime Supreme Infant Formulas and Biostime Supreme Care Infant Formulas, increased by 99.3% in 2011 compared with 2010.

Revenue of probiotic supplements kept a steady growth, and increased by 9.3% to RMB332.0 million for the year ended 31 December 2011 from RMB303.7 million for the year ended 31 December 2010, accounting for 15.2% of the Group's total revenue in 2011. Revenue of baby care products under the BMcare™ brand increased by 24.4% to RMB47.8 million for the year ended 31 December 2011, accounting for 2.2% of the Group's total revenue in 2011. Revenue of the newly added nutrition supplements segment contributed 1.2% of the Group's total revenue.

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Owing to the new regulations in the PRC regarding to the baby cereal series products which came into effect in April 2011, and the new labeling regulations in the PRC regarding to the organic series products, the Group took about six months to re-develop the formula re-design the packages, resulting in the shortage of dried baby food products in some regions. Thus, revenue of dried baby food products decreased slightly by 0.7% to RMB97.1 million for the year ended 31 December 2011. The Group had finished the re-development and re-package in January 2012, and the sales of dried baby food products had returned to normal.

Looking forward into 2012, the Group will further strengthen its brand recognition among consumers through comprehensive advertising and marketing strategies. In respect to its distribution channels, the Group will continue to increase penetration into tier-3 cities by consolidating distribution channels which consists of baby specialty stores, supermarkets and pharmacies. By the end of 2012, the Group aims to cover 8,500 VIP baby specialty stores, 1,000 Mama100 Member's Zones in pharmacies and 4,000 supermarkets. The Group intends to develop new Mama100 members while maintaining existing high-end membership base, targeting to own about 1.5 million Mama100 active members in three years.

While expanding its business, the Group continues to focus on the stability and quality of its existing upstream supply, especially for its largest product category, infant formulas. In 2012, the Group will continue with its trial-runs and negotiation with other upstream manufacturers for potential cooperation to ensure long-term capacity of its infant formula series. We shall expand the scope of this laboratory to the quality control of other nutrition and baby care products, and conduct joint research programs with leading dairy research organizations in Europe.

Mr. Cao Wenhui, the Company's chief financial officer said, "In the year of Dragon, the Group expects an upward trend birthrate of China, driving the expansion of the premium pediatric nutrition and baby care products market. Capitalizing on our competitive edges in the pediatric and baby care market and leveraging on our existing high-end brand equity, stringent quality control of its products, as well as unique business model, especially the database marketing strategy, the Group is confident to further capture such tremendous opportunities in the China market."

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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 marketed under the brand name Biostime™. In May 2010, the Company launched baby diapers and other baby care products marketed under the brand name of BMcare™. According to *The Nielsen Company*, in the first half of 2011, Biostime™ is the largest player with approximately 44.0% market share in terms of retail sales in the supreme-tier infant formula market in China, and its market share in terms of retail sales in the high-tier infant formula market in China is 7.4%.

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