

[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)

**2013 Annual Results Announcement**

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**Consistent and rapid growth sustained**

**Core profit increases 32.4% to RMB984 million**

**Final dividend and special dividend totals HK\$0.77 per share**

**Financial Highlights**

<i>RMB'000 unless otherwise stated</i>	<i>For the year ended 31 December</i>		
	<b>2013</b>	2012	Change
Revenue	<b>4,561,299</b>	3,381,901	+34.9%
Gross profit	<b>2,975,120</b>	2,228,946	+33.5%
Core profit for the year *	<b>983,615</b>	743,106	+32.4%
Profit for the year	<b>820,715</b>	743,106	+10.4%
Basic earnings per share	<b>RMB1.37</b>	RMB1.24	+10.5%
Annual dividend per ordinary share	<b>HK\$1.21</b>	HK\$1.08	+12.0%

\* calculated by excluding the one-off fine of RMB162.9 million from profit for the year. This amount was booked in the interim results ended 30 June 2013.

(Hong Kong, 26 March 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 annual results for the year ended 31 December 2013.

For the year, the Group sustained its consistent and fast growth in revenue. Core profit for the year, calculated by excluding the one-off expense of RMB162.9 million, rose by 32.4% to RMB983.6 million. Basic earnings per share increased to RMB1.37 in 2013.

The Board of directors recommended the payment of a final dividend of HK\$0.44 per share and a final special dividend of HK\$0.33 per share. Taking into account the interim and interim special dividend paid in September, total dividend for the year is HK\$1.21 per share. Dividend payout increased further to 70.3% of the Group's profit.

Revenue growth is the major contributing factor of the Group's profit growth. During the year, revenue rose by 34.9% to RMB4,561.3 million over the previous year, reflecting the continuous increase in sales volume and improvement in product mix. This was partly offset by the slight decrease in gross profit margin from 65.9% in 2012 to 65.2% in 2013, mainly resulted from the change in product mix, the decrease in ex-factory prices of certain infant formula products and the increased cost on rewards to consumers of infant products with addition 50% of accumulation points.

The average number of Mama100 active members of 2013 reached 1,741,693, increasing by 44.8% over 2012. The sales generated by Mama100 active members contributed to about 88.9% of the Group's total revenue.

Infant formulas remained as the Group's largest revenue contributor and accounted for 82.3% of the Group's total revenue. Sales volume of infant formula increased by 50.1% and its revenue increased by 38.2% in 2013. Sales of products under "Adimil" brand contributed RMB347.6 million to the Group's revenue after its launch in September.

Probiotic, which enjoyed the highest gross margin among all products, rose by 20.8% in sales revenue to RMB458.2 million, thanks to the increase in sales volume and sales contribution from the newly launched series. Revenue of baby care products, under the "BMcare" brand, increased by 43.6% to RMB152.2 million. Dried baby food and nutrition supplements also reported rapid revenue growth during the year.

The following table sets forth the Group's revenue by product segment:

<i>RMB'000</i>	<i>For the year ended 31 December</i>			
	<b>2013</b>	2012	Change	Revenue Contribution
Infant formulas	<b>3,752,116</b>	2,715,291	+38.2%	82.3%
Probiotic supplements	<b>458,164</b>	379,203	+20.8%	10.0%
Dried baby food products and nutrition supplements	<b>198,778</b>	181,418	+9.6%	4.4%
Baby care products	<b>152,241</b>	105,989	+43.6%	3.3%
Total	<b>4,561,299</b>	3,381,901	+34.9%	100%

During the year, the Group made good process in securing milk source and expanding production capabilities.

In July of 2013, Biostime entered into an equity investment and financing agreement with Isigny Sainte Mère ("ISM"), a renowned French dairy cooperative manufacturer. In December, the Group acquired the infant formula products manufacturing through the acquisition of Changsha Yingke Nutrition Products Company Limited. The facilities will be used for manufacturing a new series of infant formulas under the "Adimil" brand.

Biostime and ISM are also strengthening cooperation in the field of milk supplies, manufacturing, research and development, to ensure continuous supply and improvement of the Group's infant formula products distributed in the PRC market.

Meanwhile, Biostime has worked together with its current retail outlet partners and third party solution providers to establish an Online-to-Offline ("O2O") business model. The move, which was done by integrating online ordering platforms and offline logistic resources of retail outlets, will strengthen the collaboration with value-chain partners while creating additional benefits for retail outlets by introducing new sales through the online platform and improving operation efficiency. The points accumulated from online orders accounted for 9% of the Group's total accumulated points since O2O was launched in September.

Looking ahead in 2014, the Company believes the adjustment to the population and family planning policy of the PRC will boost the number of new born babies in the

coming years and hence will generate great business opportunity for the baby business sector. The Group is confident about its business prospects and will react quickly to further capture this upside trend in China's fast growing market for premium pediatric nutrition products, baby care products and childhood education and psychological care.

In view of the strong demand for high quality infant formulas in the fourth- and fifth-tier cities in China, the Group is developing a new series of infant formulas, under the "Adimil" brand. These new product series will be manufactured in the Group's manufacturing facilities in China, using raw milk source imported from Europe. Meanwhile, the Group will broaden its baby diapers category, under the "BMcare" brand, by introducing new baby diapers products manufactured by its joint venture with Coco Healthcare Co., Ltd ("Coco Healthcare"). In January 2014, the Company decided to jointly invest in five baby diaper production lines with Coco Healthcare with an aggregate annual production capacity of 800 million pieces of baby diapers upon full operation.

On its sales network, the Group will continue to develop the sales organization and increase market penetration of its products by consolidating distribution channels. The Group targets to increase the number of VIP baby specialty stores to 17,000, VIP pharmacies to 2,000 and supermarkets to 6,000 by the end of 2014. The Group also intends to recruit more new Mama100 members while retaining the existing high-end membership base with a target of increasing Mama100 active members to over three million within three years.

On R&D, the Group's Guangzhou R&D and Quality Analysis Centre is expected to be completed and start to service operation at the end of 2014. The Group believes that this new center will strengthen the Group's long-term R&D and quality management capability. In 2014, the Group will continue to expand its R&D team in Europe and explore research projects with external institutes globally.

Mr. Cao Wenhui, Chief Financial Officer of the Group said, "The Group has experienced rapid development in the last few years and now has five product and service brands, namely "Biostime", "Adimil", "BMcare", "Parenting Power" and "Mama100". In order to ensure dedicated efforts in growing each brand and maximize the value of Mama100 as an integrated membership service and database marketing platform, the Group is conducting an internal organizational restructuring to set up four independent business units, sharing the support from Mama100 platform and other background departments. The Group believes that this new structure will support its future business growth by creating brand cooperation synergy, improving company productivity and better leveraging its comprehensive database."

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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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