

[For Immediate Release]



牵手妈妈·只为宝宝
HAND IN HAND FOR MUM & BABY

Biostime International Holdings Limited
合生元國際控股有限公司

2014 Annual Results Announcement

Revenue sales reached RMB4,731.6 million
Profit for the year amounted to RMB806.8 million

Productivity and efficiency improved and cost savings achieved
Online and offline expansion to capture new opportunities

Financial Highlights

<i>RMB'000 unless otherwise stated</i>	<i>For the year ended 31 December</i>	
	2014	2013
Revenue	4,731,563	4,561,299
Gross profit	2,926,931	2,975,120
Profit for the year	806,786	820,715
Basic earnings per share	RMB1.34	RMB1.37

(Hong Kong, 25 March 2015) **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 2014.

Despite the steady albeit slowing economic growth and uncertainties under economic restructuring in China, the Group was able to deliver solid results with 3.7% sales growth and net profit margin maintained at 17.1% for the year ended 31 December 2014. Revenue and net profit of the Group reached RMB4,731.6 million and RMB806.8 million, respectively. The Board of directors recommended the payment of a final dividend of HK\$0.41 per share.

During the year, the Group conducted an internal organization restructuring and set up independent business units to ensure dedicated efforts in growing the Group's four brands and to share support from Mama100 platform and other background departments. Productivity and efficiency was improved, and cost savings were achieved through cross-brand cooperation and synergy generated by leveraging the extensive customer database. The Group is confident that the new structure will provide a solid foundation to sustain business growth and maintain sound financial control, despite the intensive competition in China's baby product industry.

The infant formula business grew during the year, with 11.4% growth in sales volume and 6.1% increase in the sales revenue, despite the intensified competition in China's infant formula market. The Group gained market share in both the offline and online infant formula markets in China in the year 2014, while the Group maintained its position as the third largest player in offline market, accordingly to an ACNielsen report. The newly launched infant formulas brand, Adimil maintained strong momentum in the year, and accounted for 17.9% of the Group's sales of infant formulas. In the fourth quarter of 2014, the Group successfully launched a new Adimil series which were manufactured by the Group's Changsha Adimil plant using raw milk sources imported from Europe and target the high-end markets in the fourth- and fifth-tier cities in China.

BMcare, the baby care brand of the Group, contributed 3.7% to the Group's total sales in 2014. In December 2014, the Group launched nationwide a new series of diapers which were manufactured by the Group's joint venture factory Hangzhou Coamie Personal Care Products Co., Ltd. The preliminary feedback from retail stores and Mama100 members on this diaper was very positive, which makes the Group believe that this new product will become a growth and diversification driver.

The Group continued to pursue its online strategy. An Online-to-Offline ("O2O") business model was established by integrating online ordering platforms and offline logistic resources of its VIP baby specialty stores. The Group also adopted the Business-to-Customer ("B2C") business model and had already cooperated with the majority of the leading e-commerce platforms in China, including JD.COM, TMALL.COM, Yihaodian, Amazon.cn, Suning.com and Dangdang.com, etc.

During the year, O2O business accounted for 10.1% of the Group's total accumulated membership points. The combined number of Mama100 mobile APP registered users and Mama100 WeChat followers reached approximately 1.9 million as at the end of 2014, and the average number of daily active users of the Mama100 mobile APP during the fourth quarter of 2014 reached around 85,000. There were over 20,000 membership stores participating in the Group's O2O platform and the Group has selected 4,000 stores out of them to build O2O flagship stores in order to standardize service procedures and increase service efficiency.

On the other hand, the Group selected certain series of infant formulas products as key units on the B2C platforms in order to increase visibility, attract new members and boost sales. The Group has recorded a fast growth in its B2C business and received consumers' positive feedback in its B2C layout period. The Group believes that its O2O, B2C and offline businesses will complement each other, and its multi-platform strategy will help capture new opportunities in the fast changing industry environment.

In 2014, the Group continued to increase investment in research and development ("R&D"). The Group's Guangzhou R&D and Quality Analysis Centre was completed and started operation at the end of 2014, which will be able to strengthen the Group's R&D and quality management capabilities for the long run.

Looking ahead to 2015, the management expects the adjustment to the one-child policy will create more business opportunities for the baby product industry in the coming few years. As such, the Group plans to take several strategic approaches.

The Group will consolidate the brand equity of Biostime as a high-end brand providing all-round nutrition to support the development of physical, intelligent and emotional qualities of babies. Meanwhile, it will enhance the recognition of Adimil as focusing on nutrition enhancement and functionality to fulfill different customers' needs, and continue to invest in BMcare which is positioned as a premium baby care brand.

The Group also plans to accelerate its channel expansion and increase product penetration. By the end of 2015, the Group aims to increase the number of its VIP baby specialty stores to 30,000, VIP pharmacies to 6,000, while maintaining the number of supermarkets at the current level. As pharmacy is emerging rapidly among the offline channels in the sales of baby products, the Group expects to generate 10% of its total sales from pharmacies within two to three years.

The Group will continue to invest in its online strategy. The Group decided to open its Mama100 O2O platform for sales and marketing of third parties' branded products, with the aim of developing it into a more comprehensive e-commerce platform. It will also seek investors into Mama100 International Holdings Limited. In the long term, the Group intends to build a leading vertical O2O e-commerce platform in China which focuses on products and services for pregnant mothers and babies.

Meanwhile, the Group believes that it will record a significant development of its B2C business. The Group is also gradually implementing its Customer-to-Customer ("C2C") online member store authorization system, which enables the Group's offline member stores and other well-established retail online stores to sell the Group's products on C2C platforms. The Group will continue its diversified online platforms strategy and targets to derive 30% of its total sales from online sales within two years.

Mr. Luo Fei, Chairman and Chief Executive Officer of the Group said, "The intensified competition and changes in distribution channels in China's baby product industry has made the business environment increasingly challenging. However, the Group has adopted its new marketing strategies and organizational structure to capture the opportunities alongside. With its market know-how and innovation in business model, the Group is confident of outperforming the 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, and baby care products. The shares of Biostime have been listed on the Hong Kong Stock Exchange since 2010.

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