

[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)*

**2010 Annual Results Announcement**

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**Profit for the year reached RMB265 million  
Diversified product portfolio and expanded customer base**

**Financial Highlights**

<i>RMB'000 unless otherwise stated</i>	<b>Year ended 31 December</b>		
	<b>2010</b>	<b>2009</b>	<b>Change</b>
Revenue	<b>1,233,560</b>	558,969	+120.7%
Gross profit	<b>877,173</b>	395,953	+121.5%
Gross profit margin	<b>71.1%</b>	70.8%	0.3 pts
Profit for the year	<b>265,683</b>	108,317	+145.3%
Basic earnings per share (RMB)	<b>0.58</b>	0.24	+141.7%

(Hong Kong, 29 March 2011) **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, is pleased to announce its first set of annual results since its listing in The Stock Exchange of Hong Kong Limited ("HKEX").

In 2010, total revenue of the Group amounted to RMB1,233.6 million, increasing 120.7% from RMB559.0 million in 2009. Gross profit increased to RMB877.2 million, representing an increase of 121.5% as compared with 2009. Profit for the year increased by 145.3% to RMB265.7 million.

Basic earnings per share increased to RMB0.58 in 2010 from RMB0.24 a year ago. The Board of Directors of the Company recommended the payment of a final dividend of HK\$0.2 per ordinary share for the year ended 31 December 2010.

Going forward, the Company intends to distribute approximately 40% of the Group's profit available for distribution for that year to shareholders as dividend, after taking full consideration of the Group's financial position, net cash flow and capital expenditures.

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Commenting on the results, Mr. Luo Fei, the Company's Chairman and Chief Executive Director said, "2010 was a milestone year for the Group, we were successfully listed on the Main Board of the Stock Exchange on 17 December 2010, and have achieved substantial progress in our business development throughout the year. Leveraging on our leading market position in premium pediatric nutritional products, we have began marketing baby care products for infants, children and nursing mothers under the *BMcare*<sup>™</sup> brand and implemented the Mama100 Membership Program during the year. In 2010, the booming baby products market in China stimulated Chinese consumer demands for various kinds of baby products, creating favorable conditions for the growth of the Group, and those with a trustful brand name, allowing us to achieve satisfactory results"

As a premium provider of high-end pediatric nutritional and baby care products in China, the Group has been providing premium products to babies in China and is well received by the mothers. The Group focuses on high-end consumers and strives to offer them a full range of quality products under two distinctive brands — Biostime<sup>™</sup>, which focuses on premium pediatric nutrition, and *BMcare*<sup>™</sup> focusing on premium baby care products. The Group also owns an important service brand, Mama100<sup>™</sup>, embodying a membership platform for the members.

During the year 2010, infant formula products remained our major revenue contributor and contributed approximately 64.3% of our total revenue. Revenue of this segment increased by 233.3% to RMB793.6 million from RMB238.1 million in 2009. The sales volume significantly increased by 236.0%, primarily due to increasing consumer base and the expansion of our sales network and greater market recognition for our infant formula production. Such increase was also due to the newly introduced Biostime Golden Care Infant Formulas launched in May 2010 which contributed 15.5% of total infant formulas sales in 2010. High-tier infant formulas, including Biostime Golden Care Infant Formulas and Biostime Premium Infant Formulas, contributed 46.6% of total infant formulas sales, while the supreme-tier infant formulas, including Biostime Supreme Infant Formulas and Biostime Supreme Care Infant Formulas, contributed 49.0% of total infant formulas sales in 2010. The average selling price of our infant formulas remained stable in the years 2009 and 2010.

Revenue of our probiotic supplements increased by 14.2% to RMB303.7 million from RMB265.9 million in 2009, mainly due an expansion of sales network and greater market recognition of our products, leading to the increase in coverage of our target consumers.

Revenue of dried baby food products increased by 77.8% to RMB97.8 million in 2010, primarily due to the significant increase in sales of baby cereal products launched in April 2009. During the year, our baby care products, the new business segment, generated RMB38.5 million of revenue.

Gross profit margin increased from 70.8% in 2009 to 71.1% in 2010, which was mainly attributable to (i) the effective cost control; (ii) the increased gross profit margin of our probiotic supplements. The gross profit margin of our probiotic supplements increased from 76.5% in 2009 to 81.9% in 2010; (iii) the increased portion of revenue derived from Biostime Supreme Infant Formulas and Biostime Supreme Care Infant Formulas, which enjoy higher profit margins than other series of infant formulas.”

As a percentage of total revenue, our selling and distribution costs decreased to 36.4% in 2010 from 44.4% in 2009. The decrease was primarily due to our effective operation management through the Mama100 platform, which enable us to effectively lower the new member acquisition cost and enhance the members’ loyalty.

Our working capital turnover ratios stay at healthy levels. Our average inventory turnover days decreased from 140 days in 2009 to 96 days in 2010, as a result of our continuous effort to enforce our effective inventory policy. Furthermore, our sales volume in 2010 was far beyond our expectation. The average turnover days of trade and bills receivables decreased from 3 days in 2009 to 1 day in 2010.

Looking forward into 2011, the Group is confident to capture the abundant opportunities in China’s fast growing market of premium pediatric nutritional and baby care products. The Group will continue to increase its brand recognition among consumers and expand its distribution channels. The Group will further its development of Mama100 Membership Program. The Group will also firmly cooperate with its reputable suppliers and enrich its product range to satisfy the ever changing needs of high-end consumers.

To further enhance brand recognition and brand image, through mass media and Mama100 Membership Platform simultaneously, the Group will implement precision and in-depth brand communication through mass media brand communication to disseminate the mission of the Group: Holding mothers’ hands to turn out Q babies with all-around development of smart IQ, love EQ and dynamic PQ. The Group plans to advertise its quality products on internet, magazines, and 31 TV channels including provincial TV channels and CCTV channels in 2011.

The Group will continue to widen its nationwide geographic footprint. By the end of 2010, the Group has increased the amount of VIP specialty stores to 3,687, Mama100 Member’s Zones in pharmacies to 301, and retail sales organizations to 1,716. In 2011, the Group aims to increase the amount of its VIP specialty stores to 4,500, Mama100 Member’s Zones to 400 in pharmacies, and retail sales organizations to 3,000 by the end of 2011.

The Group, one of the leaders in the supreme-tier infant formula market in China, attaches great importance to the stable and quality supply of infant formulas. It has signed a 3-year exclusive contract with the infant formulas supplier, Laiterie de Montaigu, which will significantly ensure supply stability as well as cost controllability of the infant formulas for 3 years.

As high-end consumers' demand became more and more diverse, the Group will continue to enrich the range of its quality pediatric nutritional and baby care products to high end consumers. Besides launching oral care products such as tooth pastes for babies and expectant mothers in March 2011, the Group will introduce more new products such as milk calcium tablet products and DHA soft capsule products in the remainder of 2011.

Looking forward to 2011, Mr. Luo Fei said, "Holding mothers' hands to turn out Q babies with all-around development of smart IQ, love EQ and dynamic PQ. By fulfilling our mission, we intend to develop new Mama100 members while maintaining existing membership base. We target to own more than 1 million Mama100 active members in 2 to 3 years. Through executing our investment plan as set out in our listing plan, we are confident to capture the abundant opportunities in China's fast growing market and actualize the largest return for our shareholders."

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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*<sup>™</sup>. In May 2010, the Company launched baby diapers and other baby care products marketed under the brand name of *BMcare*<sup>™</sup>. According to Euromonitor International, *Biostime*<sup>™</sup> products occupied approximately 85.4% market share in terms of retail sales in the children's probiotic supplements market, and approximately 13.1% market share in terms of retail sales in the supreme-tier infant formula market in China in 2009.

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