

[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)*

**2012 Interim Results Announcement**

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**Net Profit surged by 40% to RMB273.9 million**

**Interim dividend was HK\$0.23 per share**

**Financial Highlights**

<i>RMB'000 unless otherwise stated</i>	<i>For the six months ended 30 June</i>		
	<b>2012</b>	2011	Change (%)
Revenue	1,362,742	867,550	57.1
Gross profit	893,596	589,694	51.5
Profit before tax	372,889	249,693	49.3
Profit for the period	273,926	195,626	40.0
Net cash flows from operating activities	378,944	185,741	104.0
Basic earnings per share (RMB)	0.46	0.32	43.8
Interim dividend per share (HK\$)	0.23	0.16	43.8

(Hong Kong, 16 August 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, announced its interim results for the six months ended 30 June 2012 (the "Period").

For the Period, the Group sustained strong growths of both revenue and profit for the period. Revenue for the Period rose 57.1% to RMB1,362.7 million; profit for the period increased 40.0% to RMB273.9 million. Basic earnings per share increased to RMB0.46 from RMB0.32 of the last corresponding period. The board of directors resolved to declare the payment of an interim dividend of HK\$0.23 per share.

During the Period, infant formulas remained our major revenue contributor and accounted for approximately 80.3% of the total revenue. Revenue of this business segment rose 72.0% to RMB1,094.7 million, thanks to the positive baby products market in China and the Group's unique business model which boosted sales growth of infant formula products. Revenue growths of higher-tier and supreme-tier infant formulas were 80.0% and 63.0% respectively.

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The faster growth of the infant formula business, particularly the higher-tier infant formulas, during the Period has led to the change in product mix and increased revenue contribution from infant formulas, hence a lower gross profit margin of the Group. Gross profit margin decreased from 68.0% for the first half of 2011 to 65.6% for the first half of 2012. The decrease was also attributable to the higher purchase prices of infant formulas charged by suppliers and the increased labor costs of production.

During the Period, probiotic supplements remained our second largest revenue contributor and accounted for 12.1% of our total revenue. The Group had achieved tremendous success in probiotic supplements market for nine years since the launch of our first product in 2003. During the Period, the Group has continued to reinforce its leading position in the pediatric probiotic supplements market.

In September 2011, the Group established its nutrition supplements business by introducing two new product series – milk calcium chewable tablets and DHA chews/soft capsules for children and mothers. Revenue of nutrition supplements for the six months ended 30 June 2012 accounted for 1.2% of the Group's total revenue.

Revenue of dried baby food products had recovered in 2012 after taking about six months to redevelop the formula and re-design the packages in the second half of 2011, in response to the new regulations in the PRC regarding baby cereal series products which came into effect in April 2011, and new labeling regulations in the PRC regarding the organic series products.

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

<i>RMB'000</i>	<i>For the six months ended 30 June</i>		
	<b>2012</b>	2011	Change
Probiotic supplements	<b>164,461</b>	159,296	+3.2%
Infant formulas	<b>1,094,732</b>	636,550	+72.0%
Dried baby food products	<b>54,361</b>	53,631	+1.4%
Baby care products	<b>32,760</b>	18,073	+81.3%
Nutrition supplements	<b>16,428</b>	-	-
Total	<b>1,362,742</b>	867,550	+57.1%

The number of active members of the Group continued to grow during the period and has increased to 1,179,732 as at 30 June 2012, representing an increase of 494,274, or 72.1% as compared with 30 June 2011. Sales generated by Mama100 active members, calculated by the membership points, contributed to about 87.8% of the Group's total revenue. The Mama100 Membership Program is a key service program, which aims to solidify relationships with and among the Group's consumers and sales channels, offering members access to various customer services. Through cross-selling, a series of database marketing activities and support of the real-time distribution management system and point accumulation system, the Group can effectively lower new member acquisition cost and enhance members' loyalty.

The Group's nationwide distribution network also expanded rapidly to support its Mama 100 membership platform, ensuring the best service to its customers. By the end of the first half of 2012, the number of VIP baby specialty stores, supermarkets and Mama100 Members' Zones in pharmacies increased to 8,321, 3,336 and 601 respectively, representing growths of 89.2%, 56.9% and 54.5% respectively, as compared with 30 June 2011. In order to effectively and efficiently expand the sales and distribution channels, and increase penetration into tier-3 cities, the Group increased the number of its sales offices in Mainland China from 62 to 87 by 30 June 2011.

The Group further strengthened its infant formula power supply during the Period to cope with the growing demand for its production. On 21 June 2012, after one year of co-development with Arla Foods Amba ("Arla Foods"), the Group signed a ten-year Financing and Supply Agreement with Arla Foods, making it our third infant formula suppliers in European countries. The Group will continue to cultivate its strong relationship with various upstream suppliers, to strengthen Biostime's position as a premium brand with high product quality and safety.

Mr. Cao Wenhui, chief financial officer of the Group said, "In the first half of 2012, despite the slower growth of China's economy and competitive environment of the baby product market in China, the Group achieved remarkable results. In the second half of 2012, we will continue to diversify our product portfolio to expand our market share. We plan to launch stage-four pre-schooler formulas for children aged 3-7 years old, natural baby cereal products and new series of baby care products for infants and children."

Mr Cao continued, "With the entry of new competitors, we expect competition to intensify within the baby products market. Nevertheless, our high-quality products, recognized brand name, extensive distribution network and innovative database marketing strategies will continue to strengthen our competitiveness. Looking ahead, the Group strives to reinforce its brand recognition with a focus on high-end markets, by providing a full range of pediatric nutritional and baby care products."

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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™. The shares of Biostime have been listed on the Hong Kong Stock Exchange since 2010.

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