BIOSTIME

Biostime International Holdings Limited

合生元國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1112)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2015	2014	% of Change
	RMB'000	*RMB'000*	
Revenue	**1,962,902**	2,188,974	(10.3%)
Gross profit	**1,142,904**	1,345,601	(15.1%)
Profit for the period	**204,955**	312,223	(34.4%)
Net cash flows from/(used in) operating activities	**147,428**	(192,984)	N/A
Basic earnings per share	**RMB0.34**	RMB0.52	(34.6%)

For the six months ended 30 June 2015, the Group recorded the following:

- Revenue amounted to RMB1,962.9 million, representing a decrease of RMB226.1 million or 10.3% from RMB2,189.0 million in the corresponding period of 2014.

- Profit for the period amounted to RMB205.0 million, representing a decrease of RMB107.2 million or 34.4% from RMB312.2 million in the corresponding period of 2014.

- Basic earnings per share decreased from RMB0.52 in the corresponding period of 2014 to RMB0.34, representing a decrease of 34.6%.

- Net cash flows from operating activities amounted to RMB147.4 million, comparing to a net cash outflow of RMB193.0 million in the same period of 2014.

The board (the "**Board**") of directors (the "**Directors**") of Biostime International Holdings Limited (the "**Company**") is pleased to announce the unaudited interim consolidated results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2015, together with the comparative figures for the corresponding period in 2014, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
		RMB'000	*RMB'000*
	Notes	**(Unaudited)**	(Unaudited)
REVENUE	5	**1,962,902**	2,188,974
Cost of sales		**(819,998)**	(843,373)
Gross profit		**1,142,904**	1,345,601
Other income and gains	5	**68,840**	53,559
Selling and distribution costs		**(746,158)**	(800,380)
Administrative expenses		**(80,212)**	(86,059)
Other expenses		**(57,224)**	(38,999)
Finance costs	6	**(47,550)**	(40,346)
Share of profits and losses of an associate		**(482)**	(42)
PROFIT BEFORE TAX	7	**280,118**	433,334
Income tax expense	8	**(75,163)**	(121,111)
PROFIT FOR THE PERIOD		**204,955**	312,223
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**125**	(2,076)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**205,080**	310,147
Profit attributable to owners of the parent		**204,955**	312,223
Total comprehensive income attributable to owners of the parent		**205,080**	310,147
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9	***RMB***	*RMB*
Basic		**0.34**	0.52
Diluted		**0.33**	0.51

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2015

	Notes	**30 June 2015** *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**518,773**	478,032
Prepaid land lease payments		**62,504**	63,243
Goodwill		**76,000**	76,000
Intangible assets		**101,164**	104,110
Bonds receivable		**120,066**	130,302
Loans receivable		**61,337**	53,531
Prepayments and deposits	10	**96,911**	15,741
Investment in an associate		**40,110**	40,592
Loan to an associate		**40,000**	40,000
Held-to-maturity investment		**17,332**	18,810
Time deposits		**478,890**	1,146,183
Deferred tax assets		**157,143**	128,896
Total non-current assets		**1,770,230**	2,295,440
CURRENT ASSETS			
Inventories	11	**626,461**	797,027
Trade and bills receivables	12	**22,395**	12,043
Prepayments, deposits and other receivables		**177,969**	137,467
Loans receivable		**16,175**	39,457
Derivative financial instrument		**2,568**	2,570
Cash and cash equivalents		**3,998,204**	3,347,157
Total current assets		**4,843,772**	4,335,721
CURRENT LIABILITIES			
Trade and bills payables	13	**193,375**	294,542
Other payables and accruals		**710,723**	737,494
Interest-bearing bank loans	14	**134,610**	–
Tax payable		**122,535**	235,588
Total current liabilities		**1,161,243**	1,267,624
NET CURRENT ASSETS		**3,682,529**	3,068,097
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,452,759**	5,363,537
NON-CURRENT LIABILITIES			
Convertible bonds	15	**2,455,707**	2,410,526
Deferred tax liabilities		**38,941**	35,924
Total non-current liabilities		**2,494,648**	2,446,450
Net assets		**2,958,111**	2,917,087
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**5,217**	5,197
Equity component of convertible bonds	15	**66,978**	66,978
Reserves		**2,885,916**	2,844,912
Total equity		**2,958,111**	2,917,087

1. CORPORATE INFORMATION

Biostime International Holdings Limited was incorporated as an exempted company with limited liability in the Cayman Islands on 30 April 2010. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Group is principally engaged in the manufacture and sale of premium pediatric nutritional and baby care products.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Biostime Pharmaceuticals (China) Limited, a limited liability company incorporated in the British Virgin Islands.

Pursuant to applicable laws and regulations of the People's Republic of China ("**PRC**"), foreign investors are not allowed to hold more than 50% of the equity interest in an entity conducting value-added telecommunications services business. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas. In contemplation of developing a uniform e-commerce platform to be utilised for the sale of the Group's products, on 8 November 2013, Guangzhou Mama100 E-commerce Company Limited ("**Mama100 E-commerce**") was established in the PRC with limited liability by certain of the directors of the Company.

The Group, Mama100 E-commerce and its then equity holders entered into a series of contractual arrangements (the "**Contractual Arrangements**") on 27 June 2014, which enables the Group to:

(i) exercise an effective financial and operational control over Mama100 E-commerce;

(ii) exercise equity holders' voting rights of Mama100 E-commerce;

(iii) receive substantially all of the economic interest returns generated by Mama100 E-commerce in consideration for the management and consulting services and licenses provided by the Group, and absorb the risk of losses from Mama100 E-commerce;

(iv) obtain an irrevocable and exclusive right to purchase entire equity interest in Mama100 E-commerce from the respective equity holders for a consideration in the amount of RMB10,000, or when appraisal is required under PRC law, 1% of the appraisal price or at the lowest price permitted by then applicable PRC laws and regulations; and

(v) obtain a pledge over the entire equity interest of Mama100 E-commerce from their respective equity holders as collateral security for all of Mama100 E-commerce payments due to the Group and to secure performance of Mama100 E-commerce's obligations under the Contractual Arrangements.

The Group does not have any equity interest in Mama100 E-commerce. However, as a result of the Contractual Arrangements, the Group is exposed, or has rights, to variable returns from its involvement with Mama100 E-commerce and has the ability to affect those returns through its power over Mama100 E-commerce and is considered to control Mama100 E-commerce. Consequently, Mama100 E-commerce is consolidated into the Group's financial statements upon the execution of the Contractual Agreements.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2015 (the "**period**") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") and IAS 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. These unaudited interim condensed consolidated financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these unaudited interim condensed consolidated financial statements are the same as those used in the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of the new and revised International Financial Reporting Standards ("**IFRSs**") (which also include International Accounting Standards ("**IASs**") and Interpretations) and the adoption of amendments to the Listing Rules relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) as disclosed in note 3 below.

These unaudited interim condensed consolidated financial statements do not include all information and disclosures required in the Group's annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2014.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current period's condensed consolidated financial statements.

Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements 2010-2012 Cycle	*Amendments to a number of IFRSs*
Annual Improvements 2011-2013 Cycle	*Amendments to a number of IFRSs*

The adoption of these new and revised IFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements.

In addition, the Company has adopted the amendments to the Listing Rules issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current period. The main impact to the condensed consolidated financial statements is on the presentation and disclosure of certain information in the condensed consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. The Group has four reportable operating segments as follows:

(a) the infant formulas segment comprises the production of infant formulas for children under seven years old and milk formulas for expectant and nursing mothers;

(b) the probiotic supplements segment comprises the production of probiotic supplements in the form of sachets, capsules and tablets for infants, children and expectant mothers;

(c) the dried baby food and nutrition supplements segment comprises the production of dried baby food products made from natural foods for infants and young children, microencapsulated milk calcium chewable tablets and DHA chews/soft capsules for children, pregnant and lactating mothers; and

(d) the baby care products segment comprises the production of baby care products for infants and children, including baby diapers and toiletry kits as well as personal care products for nursing mothers, such as nursing pads.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit which is measured consistently with the Group's profit before tax except that interest income, other income and unallocated gains, share of losses of an associate, head office and corporate expenses as well as finance costs are excluded from such measurement.

The Group's revenue from external customers is all derived from its operations in Mainland China and its non-current assets are substantially located in Mainland China.

During the six months ended 30 June 2015 and 2014, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

Six months ended 30 June 2015 (Unaudited)	Infant formulas *RMB'000*	Probiotic supplements *RMB'000*	Dried baby food and nutrition supplements *RMB'000*	Baby care products *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Segment revenue:						
Sales to external customers	**1,697,843**	**173,135**	**43,128**	**48,796**	**–**	**1,962,902**
Segment results	**995,316**	**110,432**	**19,214**	**17,942**	**–**	**1,142,904**
Reconciliations:						
Interest income						**62,601**
Other income and unallocated gains						**6,239**
Share of losses of an associate						**(482)**
Corporate and other unallocated expenses						**(883,594)**
Finance costs						**(47,550)**
Profit before tax						**280,118**
Other segment information:						
Depreciation and amortisation	**4,871**	**1,288**	**364**	**25**	**23,561**	**30,109**
Write-down of inventories to net realisable value	**1,404**	**(205)**	**(37)**	**(407)**	**–**	**755**
Capital expenditure*	**2,731**	**–**	**–**	**–**	**66,182**	**68,913**

Six months ended 30 June 2014 (Unaudited)	Infant formulas *RMB'000*	Probiotic supplements *RMB'000*	Dried baby food and nutrition supplements *RMB'000*	Baby care products *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Segment revenue:						
Sales to external customers	1,858,928	186,235	70,597	73,214	–	2,188,974
Segment results	1,146,085	133,367	32,468	33,681	–	1,345,601
Reconciliations:						
Interest income						49,038
Other income and unallocated gains						4,521
Share of losses of an associate						(42)
Corporate and other unallocated expenses						(925,438)
Finance costs						(40,346)
Profit before tax						433,334
Other segment information:						
Depreciation and amortisation	628	977	384	98	22,677	24,764
Write-down of inventories to net realisable value	200	17	63	298	–	578
Capital expenditure*	968	–	–	–	79,383	80,351

* Capital expenditure consists of additions to property, plant and equipment and computer software.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns, rebates and trade discounts (net of value-added tax) during the period.

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**1,962,902**	2,188,974
Other income and gains		
Bank interest income	**57,076**	45,352
Interest income from loans and bonds receivables	**5,525**	3,686
Service income	**–**	1,036
Government subsidies	**3,129**	1,640
Others	**3,110**	1,845
	68,840	53,559

6. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank loans	**43**	8,123
Interest on convertible bonds	**47,507**	32,223
	47,550	40,346

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**819,243**	842,795
Depreciation	**25,339**	20,589
Amortisation of intangible assets	**4,031**	3,436
Amortisation of land lease payments	**739**	739
Research and development costs*	**41,974**	21,922
Minimum lease payments under operating leases in respect of buildings	**23,350**	26,023
Employee benefit expenses:		
Wages and salaries	**269,705**	266,237
Pension scheme contributions (defined contribution schemes)	**58,288**	48,770
Staff welfare and other expenses	**18,593**	32,823
Equity-settled share option expense	**483**	2,737
Equity-settled share award scheme expense	**20,851**	1,182
	367,920	351,749
Foreign exchange differences, net	**11,556**	11,316
Write-down of inventories to net realisable value#	**755**	578

* Included in "Other expenses" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

\# Included in "Cost of sales" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

8. INCOME TAX

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Charge for the period		
Mainland China	**93,205**	136,850
Hong Kong	**7,122**	2,529
France	**66**	286
Deferred	**(25,230)**	(18,554)
Total tax charge for the period	**75,163**	121,111

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% of the estimated assessable profits arising in Hong Kong.

PRC enterprise income tax

The income tax provision of the Group in respect of its operations in Mainland China has been calculated at the rate of 25% on the taxable profits for the periods, based on the existing legislation, interpretations and practices in respect thereof.

France corporate income tax

France corporate income tax has been provided at the rate of 33.3% on the estimated assessable profits arising in France.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the adjusted weighted average number of ordinary shares of 604,616,727 (2014: 601,031,597) in issue during the period.

The calculation of the diluted earnings per share amount for the period is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is the adjusted weighted average number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares under the share option schemes and share award schemes. As the conversion or exercise of convertible bonds would have an antidilutive effect on earnings per share, the calculation of diluted earnings per share does not assume conversion or exercise of potential ordinary shares of convertible bonds.

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to owners of the parent used in the basic earnings per share calculation	**204,955**	312,223
	Number of Shares	
Shares		
Weighted average number of ordinary shares in issue	**608,033,502**	603,114,820
Weighted average number of shares held for the share award schemes	**(3,416,775)**	(2,083,223)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**604,616,727**	601,031,597
Effect of dilution – weighted average number of ordinary shares: Share options and awarded shares	**9,319,527**	12,056,971
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	**613,936,254**	613,088,568

10. PREPAYMENTS AND DEPOSITS

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Deposits paid for the purchase of property, plant and equipment	**4,900**	9,809
Rental deposits	**3,622**	5,932
Prepayment for acquisition	**60,878**	–
Prepayment for the purchase of intangible asset	**27,511**	–
	96,911	15,741

11. INVENTORIES

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Raw materials	**294,149**	535,693
Raw materials in transit	**164,648**	156,031
Work in progress	**5,718**	2,491
Finished goods	**161,946**	102,812
	626,461	797,027

12. TRADE AND BILLS RECEIVABLES

	30 June 2015 *RMB'000* **(Unaudited)**	31 December 2014 *RMB'000* (Audited)
Trade receivables	**11,054**	1,529
Bills receivable	**11,341**	10,514
Less: Impairment provision	**–**	–
	22,395	12,043

Advance payment is normally required from customers of the Group, except in very limited situations for credit sales. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Trade receivables are unsecured and non-interest-bearing. Bills receivable represent bank acceptance notes issued by banks in Mainland China which are non-interest-bearing.

An aged analysis of the trade and bills receivables, based on the invoice date, is as follows:

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**12,516**	1,513
1 to 3 months	**8,345**	10,529
Over 3 months	**1,534**	1
	22,395	12,043

None of the above assets is either past due or impaired. Receivables that were neither past due nor impaired relate to recognised and creditworthy customers for whom there was no recent history of default. Customers who trade on credit terms are subject to credit verification procedures.

13. TRADE AND BILLS PAYABLES

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**193,375**	289,529
Bills payables	**–**	5,013
	193,375	294,542

An aged analysis of the trade and bills payables, based on the invoice date, is as follows:

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**179,922**	273,967
1 to 3 months	**10,437**	19,825
Over 3 months	**3,016**	750
	193,375	294,542

The trade payables are non-interest-bearing. The average credit period for trade purchases is 30 to 90 days.

Included in the Group's trade payables are amounts due to the Group's associate of RMB141,000 (31 December 2014: RMB20,498,000), which are repayable on similar credit terms to those offered by the major suppliers of the Group.

14. INTEREST-BEARING BANK LOANS

	30 June 2015			31 Decemeber 2014		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Unsecured bank loans	**EURIBOR+0.28%**	**On demand**	**66,550**	–	–	–
Unsecured bank loans	**HIBOR+0.75%**	**On demand**	**68,060**	–	–	–
			134,610			–

As at 30 June 2015, all the Group's bank loans were denominated in Euro.

15. CONVERTIBLE BONDS

On 20 February 2014, the Company issued zero coupon convertible bonds due 20 February 2019 with an aggregate principal amount of HK$3,100,000,000. The convertible bonds became listed on the Stock Exchange since 21 February 2014. There was no movement in the number of these convertible bonds during the period.

The bonds may be converted, at the option of the bondholders, at any time on or after 4 April 2014 to the close of business on the date falling seven days prior to 20 February 2019, or if such convertible bond has been called for redemption before 20 February 2019, then up to and including the close of business on a date no later than seven days prior to the date fixed for redemption. The convertible bonds will be convertible into shares at an initial conversion price of HK$90.84 per share. The conversion price will be subject to adjustment for, among other things, consolidation, subdivision or reclassification of shares, capitalisation of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities and other dilutive events.

The bonds are redeemable at the option of the Company in whole, but not in part, at a redemption price equal to the early redemption amount as at such date, (i) at any time after 20 February 2017, provided that the closing price of a share, for 20 out of the 30 consecutive trading days immediately prior to the date upon which the notice is given was at least 130% of the early redemption amount divided by the conversion ratio then in effect immediately prior to the date upon which notice of such redemption is given; or (ii) if, prior to the date the relevant notice is given, conversion rights have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90% or more in principal amount of the convertible bonds originally issued.

The Company will, at the option of the bondholders, redeem all or some of the bondholders' convertible bonds on 20 February 2017, at their early redemption amount as at such date.

The bonds do not bear any coupon interest. Unless previously redeemed, converted or purchased and cancelled, the Company will redeem each bond at 115.34% of its principal amount on 20 February 2019.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The convertible bonds issued during the period have been split into liability and equity components as follows:

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Nominal value of convertible bonds issued during the period	**2,460,625**	2,460,625
Equity component	**(66,978)**	(66,978)
Direct transaction costs attributable to the liability component	**(46,255)**	(46,255)
Liability component at the issuance date	**2,347,392**	2,347,392
Interest expense	**124,065**	77,983
Exchange alignment	**(15,750)**	(14,849)
Liability component	**2,455,707**	2,410,526

16. COMPARATIVE AMOUNTS

As further explained in note 3, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current period, the presentation and disclosure of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current period's presentation and disclosures.

BUSINESS REVIEW

During the first half of 2015, China's infant formula market remained challenging with intensified competition. More brands have entered the market while existing players have increased promotional price discounting activities in order to maintain their market shares. Besides, in order to coordinate the launch of "Biostime" branded SN-2 PLUS Balanced Formulas, which were scheduled to be launched at the end of June this year, the Group carried out active promotional price discounting activities on its previous version of infant formulas. Consequently, the revenue and profit of the Group for the six months ended 30 June 2015 decreased by approximate 10.3% and 34.4%, respectively, as compared with the corresponding period in 2014. Nevertheless, the Group maintained stable positive cash flow from operating activities. Without the effect of these exceptional promotional activities, the key financial performances of the Group remained within a normal range.

Despite the challenging circumstances, the Group managed to keep stable sales volume and consolidate its market position. According to Nielsen, an independent market research firm, the Group's share of the overall infant formula market in China increased to 6.0% in the first half of this year from 5.8% in the same period last year and the Group continued to rank as the third largest player offline. Meanwhile, the Group's online market share increased to 1.3% in the first half of this year and therefore the Group became one of the top ten online players, driven by rapid growth of its Business-to-Customer ("**B2C**") online sales.

According to the Group's plan, the Biostime SN-2 PLUS Balanced Formulas were launched at the end of June 2015. The formulas contain SN-2 PLUS structured lipid which is developed and customized for the Group by a world leading lipid provider, through lipid structure optimization technology. Such ingredient mimics the composition and properties of human milk fat and combines multiple nutrients to promote balanced growth of babies. The Group conducted, jointly with its strategic partners, a clinical study that has proven the benefits of the SN-2 PLUS formulas for Chinese babies. The Group is the first provider of infant formulas that adopts SN-2 PLUS structured lipid in China. The new products have now been distributed to the retail outlets and received preliminary positive feedback from both member stores and end-consumers.

At the same time, the Group continued to invest in brand building in the first half of this year. While maintaining sufficient exposure in the traditional media, the Group stepped up investment in marketing in the emerging media. Alongside the launch of "Biostime" branded SN-2 PLUS Balanced Formulas, the Group has placed new commercials on TV and advertisements on the Internet that highlight the milk source from Normandy, France and the SN-2 PLUS lipid structure technology to differentiate its products from those of the competitors. For "Adimil", the Group has appointed a celebrity as the brand's ambassador to endorse the brand's products in various marketing activities. The commercial of "Adimil" has also been placed in various media and, in particular, has been aired during the commercial breaks in a prime-time and most popular parent-child reality show on a satellite television.

In order to increase its products' market penetration, the Group continued to expand its sales network in the first half of 2015. At the end of the period under review, the number of the Group's VIP baby specialty stores, retail sales organizations and VIP pharmacies increased to 28,649, 8,974 and 4,869, respectively. As an important measure of channel management, the Group continued to track inventory and sales of its products at the distributors' level on a real-time basis to avoid excessive inventory. Such advanced real-time distribution management system enables the Group to deliver sustainable business growth. According to the system, the average inventory turnover days of the Group's distributors was about 38 days in the first half of 2015.

For online sales, the Group has entered the major third-party e-commerce platforms in China and actively expanded its B2C business. In the first half of this year, the Group's B2C business delivered remarkable performance, contributing 4.5% of the Group's total sales and growing by 527.2% in sales sequentially compared with that for the second half of last year. Going forward, the Group will conduct cross-category promotional activities on those platforms in order to further increase the contribution of B2C business.

The Group's Mama100 platform has been being operated independently since a separate team was assigned to it. The Group expects to develop Mama100 into an e-commerce platform based on baby stores which integrates both online and offline resources. Apart from carrying the Group's brands, Mama100 has also selected nearly 20 independent international and leading domestic baby product brands and introduced them into the platform since April this year. The average number of Mama100 active members increased by 7.2% year on year to 2,138,631 in the first half of 2015, while the combined number of Mama100 mobile APP registered users and Mama100 WeChat followers increased to approximately 2.9 million at the end of June 2015.

The Group has upgraded its operation in several other aspects. The Group's new R&D and quality control center in Guangzhou commenced operation in the first half of this year, marking a milestone in the enhancement of its R&D and quality management capabilities. The same period also witnessed the inauguration of the new plant for infant formula production at Isigny Sainte Mère ("**ISM**") in France. Built on a four-hectare plot near ISM's main premises and installed with the most modern and advanced production facility and equipment, this new plant will help ISM increase its milk powder production capacity and ensure a long-term supply of premium milk source and high quality products from Normandy, France to the Group.

PROSPECTS

Looking ahead to the second half of this year, the Group expects that the intense competition in the infant formula market will not abate. In such competitive environment, the Group believes that it is more than ever important to continue with investment in branding and marketing to maintain its market position and enhance its brand recognition.

The Group has been actively developing new product categories catering to the diverse needs of the Chinese mothers. The Group has observed the emerging market for organic and natural baby foods and thus recently acquired an American company, which owns a strong heritage US organic brand since 1980 and now has presence in several geographical markets such as North America and Asia. The Group plans to develop organic infant formulas and baby food products and introduce them into the Chinese market. At the same time, the Group will continue to diversify its baby care products, which is also within the Group's long-term strategy and vision to become a solution-oriented provider of nutritional and parenting products and services.

RESULTS OF OPERATION

Revenue

In the context of fierce market competition, for the six months ended 30 June 2015, the Group reported revenue at RMB1,962.9 million, representing a decreased of 10.3% from RMB2,189.0 million for the first half of 2014. The following table sets forth the Group's revenue by product segment for the periods indicated:

	Six months ended 30 June			
	2015	**% of**	2014	% of
	RMB'000	***Revenue***	*RMB'000*	*Revenue*
Infant formulas	**1,697,843**	**86.5%**	1,858,928	84.9%
Probiotic supplements	**173,135**	**8.8%**	186,235	8.5%
Dried baby food and nutrition supplements	**43,128**	**2.2%**	70,597	3.3%
Baby care products	**48,796**	**2.5%**	73,214	3.3%
Total	**1,962,902**	**100.0%**	2,188,974	100.0%

Infant formulas

To cope with the intensified market competition, the Group carried out a series of marketing campaigns during the first half of 2015, among which was the exceptional active promotional price discounting activities in order to coordinate the scheduled launch of the "Biostime" branded SN-2 PLUS Balanced Formulas at the end of June 2015. As a result, revenue from the Group's infant formulas segment decreased by 8.7% from RMB1,858.9 million for the six months ended 30 June 2014 to RMB1,697.8 million in the corresponding period of 2015. Despite of the headwind, driven by the steady growth of Mama100 active members as well as the retail outlets expansion, sales volume remained stable during the period under review as compared to the first half of 2014. Owing to the expanded product category, revenue from high-tier infant formulas accounted for 66.3% of total sales within the segment during the first half of 2015, representing an increase of 4.7 percentage points from 61.6% for the corresponding period in 2014.

Probiotic supplements

Sales volume of the probiotic supplements increased by 1.6% comparing the first half of 2015 to that of 2014. For the six months ended 30 June 2015, revenue from probiotic supplements amounted to RMB173.1 million, declining by 7.0% as compared with the same period of 2014. The decrease was mainly due to the increased rewards to customers related to a series of promotional activities.

Dried baby food and nutrition supplements

Revenue of dried baby food and nutrition supplements declined by 38.9% to RMB43.1 million for the six months ended 30 June 2015 compared with the same period of 2014. The decrease was mainly due to the unstable supply of baby cereal products in the new facility. Supply of baby cereal products has resumed by the end of the first half of 2015.

Baby care products

For the six months ended 30 June 2015, revenue of baby care products decreased by 33.4% to RMB48.8 million compared with the same period last year. The decrease in revenue was due to the combined effects of: i) the unstable supply of diapers in the supplier's new factory which was put into production in the first half of 2015; and ii) the continuous sales team building within the segment.

Gross profit and gross profit margin

During the first half of 2015, the Group recorded gross profit at an amount of RMB1,142.9 million, which decreased by 15.1% compared with the same period last year. Gross profit margin decreased from 61.5% for the six months ended 30 June 2014 to 58.2% for the same period of 2015. The decrease in gross profit margin mainly resulted from the clearance of the previous version of infant formulas stocks to coordinate the scheduled launch of SN-2 PLUS formulas with active promotional price discounting activities carried out during the first half of 2015. Without the effect of these exceptional promotional activities, gross profit of the Group remained within a normal range. The decrease in gross profit margin was partially offset by the improved product mix, more favorable exchange rate on the Group's Euro denominated raw material purchase and the lowered procurement costs.

Other income and gains

Other income and gains for the six months ended 30 June 2015 amounted to RMB68.8 million, primarily consisting of the interest income of RMB62.6 million, government subsidies of RMB3.1 million and others. Other income increased by RMB15.3 million during the six months ended 30 June 2015 compared with the same period last year. The increase was mainly attributable to the increase of interest income from the Group's time deposits.

Selling and distribution costs

Selling and distribution costs decreased by 6.8% from RMB800.4 million for the six months ended 30 June 2014 to RMB746.2 million during the same period this year. To coordinate the scheduled launch of the SN-2 PLUS formulas as well as the clearance of the pervious version of infant formulas stocks, according to its annual marketing plan, the Group will place its TV advertisement mainly in the second half of 2015, resulting in a saving of the selling and distribution costs for the first half of this year. Besides, selling and distribution costs decreased as the Group streamlined its sales promoters due to the improved promotion efficiency. The decrease on the selling and distribution costs was partially offset by the increased expenditures on the emerging media to cope with the new customer behaviors and the investment in the brand building activities related to the scheduled launch of the SN-2 PLUS formulas in the coming periods. The selling and distribution costs as a percentage of revenue increased from 36.6% for the six months ended 30 June 2014 to 38.0% during the corresponding period of 2015. The Group will continue to invest in brand building to sustain the long-term growth.

Administrative expenses

For the six months ended 30 June 2015, administrative expense of the Group amounted to RMB80.2 million, representing a decrease of 6.8% compared with the same period of 2014. The decrease of the administrative expenses was driven by the increased operation efficiency of the Group. The percentage of administrative expenses to revenue was 4.1% in the first half of 2015, which remained stable comparing to the same period of 2014.

Other expenses

Other expenses for the six months ended 30 June 2015 amounted to RMB57.2 million, primarily consisting of net exchange loss of RMB11.6 million, R&D expenses of RMB42.0 million and others. The increase in other expenses was mainly due to the increase in R&D expenses. The Group stepped up investments to enhance its R&D and quality management capabilities, striving to provide safe and science-based products and services to satisfy Chinese customers' needs.

Finance costs

During the six months ended 30 June 2015, the Group incurred finance costs of RMB47.6 million, mainly representing non-cash interest expense of the Convertible Bonds.

Income tax expenses

Income tax expenses decreased by 37.9% from RMB121.1 million for the first half of 2014 to RMB75.2 million in the corresponding period of 2015. The effective tax rate declined from 27.9% for the six months ended 30 June 2014 to 26.8% in the period under review.

Profit for the year

During the six months ended 30 June 2015, the Group recorded profit after tax at RMB205.0 million, representing a decrease of 34.4% from RMB312.2 million in the corresponding period last year.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

For the six months ended 30 June 2015, the Group reported net cash generated from operating activities of RMB147.4 million, consisting of cash generated from operations of RMB360.9 million, partially offset by income tax paid of RMB213.5 million. The Group's cash generated from operations consisted of cash flow from operating activities of RMB317.7 million before working capital adjustments and positive changes in working capital of RMB43.2 million. Comparing to a net cash outflow from operating activities of RMB193.0 million in the same period last year, the net cash generated from operation activities for the period under review reflected the Group's efforts in maintaining its inventory turnover days at a healthy level, and thus freeing up cash as a result.

Investing activities

For the six months ended 30 June 2015, net cash used in investing activities amounted to RMB58.2 million. The Group's net cash outflows for investing activities mainly consisted of prepayment for acquisition of a subsidiary of RMB60.9 million and capital expenditures of RMB63.3 million, while partially offset by the repayment from loans receivables of RMB21.0 million, interest received of RMB21.9 million and a decrease of time deposits of RMB21.4 million.

Financing activities

During the first half of 2015, net cash used in financing activities amounted to RMB50.5 million. It primarily reflected the distribution of the dividends to the shareholders of the Company of RMB196.1 million as well as the repayment of bank loan of RMB34.4 million, partially offset by the new bank loans drawn down of RMB169.0 million.

Cash and bank balances

As of 30 June 2015, cash and cash equivalents as stated in the interim condensed consolidated statement of financial position amounted to RMB3,998.2 million. Taking into consideration of the non-pledged time deposits with original maturity of more than one year when acquired of RMB478.9 million, the Group's cash and bank balances amounted to RMB4,477.1 million as of 30 June 2015.

Convertible bonds and interest-bearing bank loans

As of 30 June 2015, the outstanding Convertible Bonds amounted to RMB2,455.7 million. No Convertible Bonds were converted into shares of the Company during the reviewing period. The Group's outstanding interest-bearing bank loans amounted to RMB134.6 million as of 30 June 2015. The loans are payable within one year. Taking the Convertible Bonds and interest-bearing bank loans into consideration, the gearing ratio was 39.2%. The gearing ratio is calculated by dividing the Convertible Bonds and interest-bearing bank loans by total assets.

Inventories

	30 June 2015	31 December 2014
	RMB'000	*RMB'000*
Raw materials	**294,149**	535,693
Raw materials in transit	**164,648**	156,031
Work in progress	**5,718**	2,491
Finished goods	**161,946**	102,812
Total	**626,461**	797,027

Raw materials mainly included i) probiotic powder, dried baby food ingredients and other materials purchased from the Group's material suppliers; ii) finished infant formula products, dried baby food products, baby care products and nutrition supplement products imported with original packaging from the Group's product suppliers, which were subject to bar code affixing; and iii) packaging materials. Raw materials in transit represented the imported raw materials which were still in transit or under the quality inspection procedures performed by CIQ[1] under AQSIQ[2].

Working capital cycle

The Group's cash cycle decreased from 157 days for the first half of 2014 to 104 days in the same period of 2015.

During the six months ended 30 June 2015, the average turnover days of trade and bills receivables was 2 days, slightly increased by 1 day from the corresponding period of last year.

The Group planned to launch the SN-2 PLUS formulas at the end of June 2015. In order to coordinate this launch, the Group carried out a series of promotional activities for the previous infant formulas series in the first half of 2015, leading the average inventory turnover days to decline by 67 days from 223 days for the first half of 2014 to 156 days in the same period of 2015. The Group strived to maintain its inventory level at a healthy level to avoid excess inventory and deep discounting. As compared with the first half of 2014, inventory turnover days at the distributors' level increased by 9 days to 38 days in the first half of 2015. The increase in inventory turnover days at the distributors' level reflected the distributors stocking up new series of infant formulas for the coming periods.

Notes:

(1) Entry-Exit Inspection and Quarantine Bureau (出入境檢驗檢疫局)

(2) General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (國家質量監督檢驗檢疫局), which is the administrative agency in the People's Republic of China (the "**PRC**") in charge of, among other things, inspection of entry/exit of goods, import and export food safety, and certification.

The average turnover days of the trade payables decreased from 67 days in first half of 2014 to 54 days in the corresponding period this year, which was mainly due to the increased purchase from suppliers with shorter credit terms.

HUMAN RESOURCES

As at 30 June 2015, the Group had approximately 3,000 employees in Mainland China, Hong Kong, France and Ireland. In order to support its growth, the Group has been steadily increasing the investment in developing and retaining its right talent, offering them with competitive compensation, various training and education opportunities. Also, since the Company listed on The Stock Exchange of Hong Kong Limited, the Group has gradually developed and implemented an incentive system to attract and retain talented staff. Up to 30 June 2015, the Group had in total granted 15,782,130 share options under the Pre-IPO Share Option Scheme and Share Option Scheme (adopted on 12 July 2010 and 25 November 2010, respectively), 6,770,329 shares under the Share Award Scheme (adopted on 28 November 2011), and 2,103,316 shares under the 2013 Share Award Scheme (adopted on 29 November 2013), respectively.

INTERIM DIVIDEND

No interim dividend was proposed by the Board for the six months ended 30 June 2015 (Six months ended 30 June 2014: HK$0.26 per ordinary share).

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") as its own code of corporate governance. Except for the deviations from code provisions A.2.1 and C.1.2 as disclosed below, the Company has complied with the code provisions contained in the CG Code for the six months ended 30 June 2015.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Luo Fei, the Chairman of the Company, was also appointed as the Chief Executive Officer of the Company. The Board of the Company believes that vesting the roles of both Chairman and Chief Executive Officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

Under code provision C.1.2 of the CG Code, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. During the six months ended 30 June 2015, as the Board had held 2 meetings, in addition to the regular Board meetings, to discuss and consider certain specific affairs of the Group, instead of monthly updates, the management of the Company had provided the Board with updates of the Group before and during each of such meetings to keep all Directors abreast of the performance, position and prospects of the Group.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that it complies with the CG Code and aligns with the latest developments.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding Directors' dealings in the Company's securities (the "**Company Code**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and all the Directors have confirmed that they have complied with the Company Code and the Model Code during the six months ended 30 June 2015.

The Company has also established written guidelines (the "**Employees Written Guidelines**") on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the six months ended 30 June 2015.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") was established on 25 November 2010 in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written terms of reference in compliance with the CG Code. The Audit Committee consists of three members, namely Dr. Ngai Wai Fung, Mr. Tan Wee Seng and Mr. Luo Yun, all of whom are non-executive Directors and the majority of whom are independent non-executive Directors. Dr. Ngai Wai Fung, who has appropriate professional qualifications and experience in accounting matters, was appointed as the chairman of the Audit Committee.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors; reviewing the interim and annual reports and accounts of the Group; and overseeing the Group's financial reporting system and internal control procedures.

The Audit Committee has held meetings together with the external auditors to discuss the auditing, internal controls and financial reporting matters including the review of the interim results and the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2015.

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2015 has been reviewed by the Company's external auditors.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is also published on the websites of the Company (www.biostime.com.cn) and the Stock Exchange (www.hkexnews.hk). The interim report for the six months ended 30 June 2015 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders and available on the above websites in due course.

By order of the Board of
Biostime International Holdings Limited
Luo Fei
Chairman

Hong Kong, 18 August 2015

As at the date of this announcement, the executive Directors of the Company are Mr. Luo Fei and Ms. Kong Qingjuan; the non-executive Directors of the Company are Dr. Zhang Wenhui, Mr. Wu Xiong, Mr. Luo Yun and Mr. Chen Fufang; and the independent non-executive Directors of the Company are Dr. Ngai Wai Fung, Mr. Tan Wee Seng and Professor Xiao Baichun.