BIOSTIME 合生元

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)

Annual Report 2010

BIOSTIME 合生元

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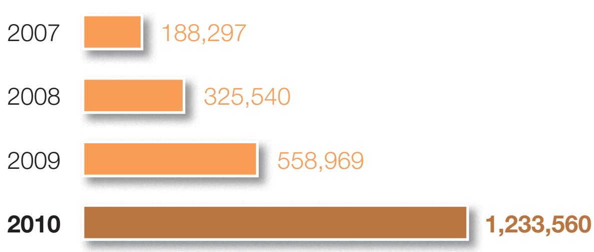
FINANCIAL HIGHLIGHTS

Amounts in RMB'000

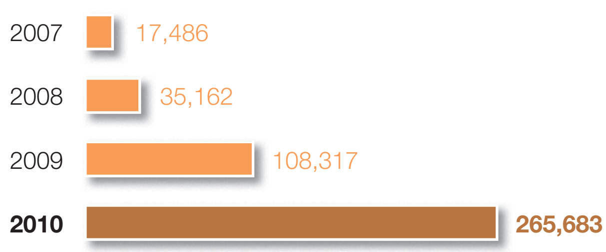
	Year ended 31 December			
	2007	2008	2009	**2010**
Revenue	188,297	325,540	558,969	**1,233,560**
Gross profit	137,872	236,874	395,953	**877,173**
Profit for the year	17,486	35,162	108,317	**265,683**
Net cash flows from operating activities	24,314	23,183	109,798	**381,012**
Free cash flow*	13,937	12,048	104,029	**363,333**

* Free cash flow is defined as cash flow from operating activities less capital expenditures.

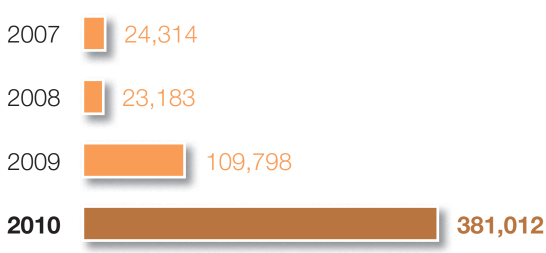
REVENUE



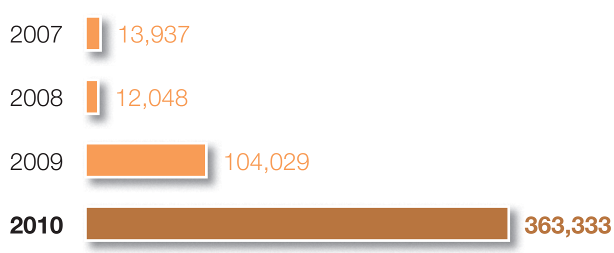
PROFIT FOR THE YEAR



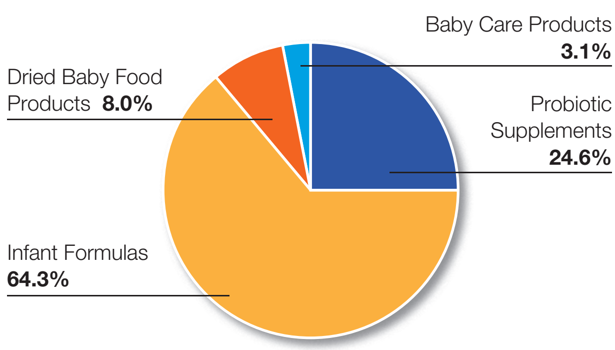
NET CASH FLOWS FROM OPERATING ACTIVITIES



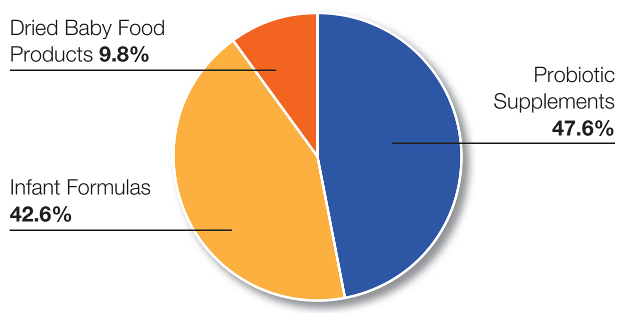
FREE CASH FLOW



REVENUE BY PRODUCT SEGMENT IN 2010



REVENUE BY PRODUCT SEGMENT IN 2009



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Luo Fei *(Chairman and Chief Executive Officer)*
Dr. Zhang Wenhui
Ms. Kong Qingjuan

Non-executive Directors

Mr. Wu Xiong
Mr. Luo Yun
Mr. Chen Fufang

Independent Non-executive Directors

Mr. Ngai Wai Fung
Mr. Tan Wee Seng
Professor Xiao Baichun

BOARD COMMITTEES

Audit Committee

Mr. Ngai Wai Fung *(Chairman)*
Mr. Tan Wee Seng
Mr. Luo Yun

Nomination Committee

Mr. Luo Fei *(Chairman)*
Mr. Ngai Wai Fung
Mr. Tan Wee Seng

Remuneration Committee

Mr. Tan Wee Seng *(Chairman)*
Mr. Ngai Wai Fung
Mr. Luo Fei

JOINT COMPANY SECRETARIES

Ms. Wong Tak Yee *ACIS, ACS*
Ms. Yang Wenyun

AUTHORISED REPRESENTATIVES

Mr. Luo Fei
Ms. Wong Tak Yee

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE IN THE PRC

Room 1110, CITIC Plaza
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Guangdong Province 510613
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Nos. 168–200 Connaught Road Central
Hong Kong

COMPANY'S WEBSITE

www.biostime.com.cn

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

CORPORATE INFORMATION

COMPLIANCE ADVISOR

Guotai Junan Capital Limited
27th Floor, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

LEGAL ADVISOR

Orrick, Herrington & Sutcliffe
43rd Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman, KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Mr. Luo Fei, Chairman and Chief Executive Officer of the Company (left), presented a souvenir to Mr. Lawrence Fok, Chief Marketing Officer of the Stock Exchange on 17 December 2010.

Dear shareholders,

On behalf of Biostime International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), I am glad to present the first Annual Report for the year ended 31 December 2010 after the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

BUSINESS REVIEW

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 mothers. The Group focuses on high-end mother consumers and strives to offer them a full range of quality products under two distinctive brands — *Biostime*™, which focuses on premium pediatric nutritional products, and *BMcare*™ focusing on premium baby care products. The Group also owns an important service brand, *Mama100*™, embodying a communication and consultation platform for the members.

2010 was a milestone year for the Group as the Company was successfully listed on the Main Board of the Stock Exchange on 17 December 2010 (the "Listing Date") and raised net proceeds of approximately HK$1,595.6 million (equivalent to approximately RMB1,367.5 million) after consideration of over-allotment, which enabled the Group to access the international capital market while uplift the standard of its brand building and corporate governance.

BUSINESS REVIEW (Continued)

In 2010, the booming baby products market in China stimulated mothers' demand for various kinds of baby products, especially those under a trustful brand. Such trend created favorable conditions for the growth of the Group due to its premium positioning. During the year, the Group accomplished total revenue of RMB1,233.6 million with net profit of RMB265.7 million, increasing by 120.7% and 145.3%, respectively, as compared with 2009. In 2010, the Group achieved significant growth in every business segment as infant formulas, probiotic supplements, dried baby food products, and baby care products realized revenue of RMB793.6 million, RMB303.7 million, RMB97.8 million, and RMB38.5 million, respectively, corresponding to 64.3%, 24.6%, 8.0%, and 3.1% of total revenue. By the end of 2010, Mama100 registered members have amounted to 2.4 million, including 465,536 active members.

During the year, revenue of infant formulas was sustaining a strong growth at a rate of 233.3% after rapid growths in 2008 and 2009. In May 2010, Biostime Golden Care Infant Formulas ("Golden Care") was launched to consolidate the Group's market position in high-tier infant formulas market. By the end of 2010, Golden Care has realized revenue of RMB123.2 million, contributing 15.5% revenue of infant formulas, which indicated the Group's successful expansion of its market share in infant formulas market.

As China's largest pediatric probiotic supplements provider in terms of retail sales, the Group achieved tremendous success in probiotic supplements market from 2003 to 2009. In 2010, the Group continued to reinforce its leading position in pediatric probiotic supplements market. Due to effective management of marketing activities, the Group accomplished a 14.2% increase in revenue of probiotic supplements as compared with 2009. On the other hand, revenue of dried baby food products, another driver of the Group's revenue, increased by 77.8% as compared with 2009.

In May 2010, leveraging its market position in premium pediatric nutritional products, the Group began marketing baby care products for infants, children and nursing mothers under the *BMcare*™ brand. The Group expects a rapid revenue growth of *BMcare*™ products in the future and believes *BMcare*™ products will play a more important role over time.

The Group implemented precision marketing through the innovative Mama100 Membership Program, a key service program that offered the members access to the customer service and nursing consulting hotline, the mama100.com website, and membership points accumulation program. By the end of 2010, the Group has increased the number of Mama100 registered members by 67.5% and active members by 117.1% as compared with 2009.

The Group always puts the quality safety of its products at first place and safeguards the quality of its products by multi-layer of quality control and assurance. All the imported finished products and key raw ingredients of the Group must pass four stringent control levels: quality control by suppliers, quality control by foreign authorities, inspections by PRC authorities, and quality control by the Group.

PROSPECTS

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 mother consumers.

To further enhance brand recognition, through mass media including television, magazines, internet, and Mama100 Membership Platform simultaneously, the Group will implement precision and in-depth 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 approximately 31 TV channels including provincial TV channels and CCTV channels in 2011.

Distribution channels are the important component of the Group's sophisticated value chain. The Group will continue to widen its nationwide geographic footprint by consolidating distribution channels which consists of specialty stores, retail sales organizations and pharmacies. By the end of 2010, the Group had 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. To further the development of its distribution channels, the Group aims to increase the amount of its VIP specialty stores to 4,500, Mama100 Member's Zones in pharmacies to 400, and retail sales organizations to 3,000 by the end of 2011.

The Group believes quality consumers are the key forces to move the Group forward to the future. By implementing precision marketing strategy, the Group intends to develop new Mama100 members while maintaining existing high-end membership base. The Group targets to own more than 1 million Mama100 active members in 2 to 3 years.

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 renewed a 3-year exclusive supply 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 mother 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 mother 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.

CHALLENGES

The global inflation will probably cause the rising cost of raw materials, which imposes a severe challenge on the Group. The Group will strengthen supply chain management, increase operation efficiency, and take advantage of economies of scale to maintain its profitability. With the entry of new competitors, the competition will be intensified within the supreme-tier and high-tier infant formula market. The Group believes Mama100 Membership Program is its core competence and will thus retain its competitive edge.

SOCIAL RESPONSIBILITY

The Group always prioritized its responsibility to society and thus established Biostime China Foundation for Mother and Child (the "Foundation") in 2007, in cooperation with Chinese Red Cross Foundation. The Group donated RMB0.1 to the Foundation for every unit sold. For the year of 2010, RMB1.1 million has been raised to the Foundation, which has helped 50 children who suffered from serious illnesses since its establishment.

DIVIDEND

After taking full consideration of the Group's financial position, net cash flow and capital expenditures, the Board of Directors is glad to recommend the payment of a final dividend of HK$0.20 per ordinary share in respect of the year. Going forward, the Company intends to distribute approximately 40% of the Group's profit available for distribution for that year to shareholders as dividend.

UNDERTAKINGS FROM CONTROLLING SHAREHOLDERS

The Group has received the undertakings from the Controlling Shareholders who will voluntarily lock up their shares for 3 years beginning from the Listing Date.

ACKNOWLEDGEMENTS

2010 was a year of opportunity and the Group made every effort to achieve its great success. I am confident that 2011 will be another magnificent year for the Group with the endeavor of its employees. It is my honor to work with such outstanding people and I would like to thank them for all their remarkable contributions to the Group. I would also like to take this opportunity to express my great thanks to all the shareholders, Mama100 registered members, retailers, distributors, and suppliers for their longtime support.

Luo Fei
Chairman

Hong Kong, 28 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

The purpose of this discussion is to provide an understanding of the Group's financial results and condition by focusing on changes in certain key measures from year to year. Management's Discussion and Analysis is organized in the following sections:

➢ Business overview
➢ Summary of 2010 results
➢ Results of operations
➢ Financial condition

BUSINESS OVERVIEW

We provide premium pediatric nutritional and baby care products in China. Our family of products includes premium probiotic supplements for children, infant formulas and dried baby food products marketed under the brand name *Biostime*™ and baby care products marketed under the brand name *BMcare*™. We are committed to developing premium pediatric nutritional brands and products that help to improve the health and development of infants, children and expectant mothers in China. The high-quality pediatric nutritional products that we produce have enabled us to successfully establish as one of the significant brands within the premium pediatric nutritional products market in China. Our product segments consisted of:

- probiotic supplements in the form of sachet, capsules and tablets for infants, children and expectant mothers;
- infant formulas for children under three years old and milk formulas for expectant and nursing mothers;
- dried baby food products made from natural food, such as meat, seafood, fruit and vegetables, for infants and young children; and
- 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.

SUMMARY OF 2010 RESULTS

The table below sets forth our selected information from the consolidated statements of comprehensive income for the years indicated:

	Year ended 31 December			
Amounts in RMB'000	2007	2008	2009	**2010**
Revenue	188,297	325,540	558,969	**1,233,560**
Gross profit	137,872	236,874	395,953	**877,173**
Selling & distribution costs and administrative expenses	105,018	189,165	274,761	**537,093**
Profit before tax	27,402	44,606	118,153	**334,063**
Profit for the year	17,486	35,162	108,317	**265,683**

SUMMARY OF 2010 RESULTS (Continued)

The table below sets forth our selected information from the consolidated statements of financial position as of the dates indicated:

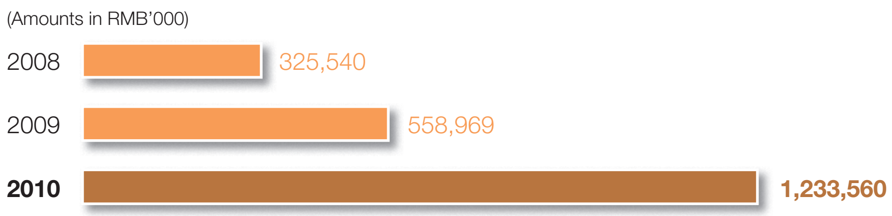
	As of 31 December			
Amounts in RMB'000	2007	2008	2009	**2010**
Non-current assets	15,487	27,869	29,755	**39,857**
Current assets	88,265	147,429	253,664	**1,862,142**
Current liabilities	63,494	86,625	112,862	**236,347**
Net current assets	24,771	60,804	140,802	**1,625,795**
Non-current liabilities	—	—	—	**5,760**
Net assets	40,258	88,673	170,557	**1,659,892**

The table below sets forth our selected information from the consolidated statements of cash flows for the years indicated:

	Year ended 31 December			
Amounts in RMB'000	2007	2008	2009	**2010**
Cash and cash equivalents at beginning of year	31,104	47,935	59,765	**133,795**
Net cash flows from operating activities	24,314	23,183	109,798	**381,012**
Net cash used in investing activities	(9,926)	(11,605)	(9,835)	**(9,393)**
Net cash flows from/(used in) financing activities	2,443	263	(25,930)	**1,230,948**
Effect of foreign exchange rate change, net	—	(11)	(3)	**(8,151)**
Cash and cash equivalents at end of year	47,935	59,765	133,795	**1,728,211**

RESULTS OF OPERATIONS

Revenue



Revenue increased from RMB325.5 million in 2008 to RMB559.0 million in 2009 and to RMB1,233.6 million in 2010, representing an increase of 71.7% in 2009 and 120.7% in 2010. The increases were primarily due to the expansion of our business and an increase in the sales volume of our products, especially the increase in sales volume of our infant formulas.

RESULTS OF OPERATIONS (Continued)

Revenue (Continued)

The following table sets forth our revenues by product segment for the years indicated:

	Year ended 31 December					
	2008		2009		**2010**	
Amounts in RMB'000	Revenue	%	Revenue	%	**Revenue**	**%**
Probiotic supplements	253,859	78.0%	265,886	47.6%	**303,749**	**24.6%**
Infant formulas	40,812	12.5%	238,108	42.6%	**793,565**	**64.3%**
Dried baby food products	30,869	9.5%	54,975	9.8%	**97,779**	**8.0%**
Baby care products	—	—	—	—	**38,467**	**3.1%**
Total	325,540	100.0%	558,969	100.0%	**1,233,560**	**100.0%**

Probiotic supplements

Revenue of our probiotic supplements increased by 14.2% from RMB265.9 million in the year ended 31 December 2009 to RMB303.7 million in the year ended 31 December 2010. The sales volume increased by 11.5% mainly due to an expansion of sales network and greater market recognition of our products, leading to the increase in coverage of our target consumers. The average selling price increase further added 2.4% to sales growth.

Revenue of our probiotic supplements increased by 4.8% from RMB253.8 million in the year ended 31 December 2008 to RMB265.9 million in the year ended 31 December 2009. While the average selling price of our probiotic supplements remained unchanged in 2008 and 2009, the sales volume of our probiotic supplements increased by 4.6% in 2009. This increase in the sales volume of our probiotic supplements was due to an expansion of our sales network and greater market recognition of our products.

Infant formulas

Revenue of our infant formulas increased by 233.3% from RMB238.1 million in the year ended 31 December 2009 to RMB793.6 million in the year ended 31 December 2010, and contributed 64.3% of total revenue in 2010. 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 products. 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. Our high-tier infant formulas, including Biostime Golden Care Infant Formulas and Biostime Premium Infant Formulas, contributed 46.6% of total infant formulas sales in 2010 compared with 45.4% of total infant formulas sales in 2009. Our 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 compared with 48.5% of total infant formulas sales in 2009. The average selling price of our infant formulas remained stable in the years ended 31 December 2009 and 2010.

Revenue of our infant formulas increased significantly from RMB40.8 million in the year ended 31 December 2008 to RMB238.1 million in the year ended 31 December 2009. While the average selling price of our infant formulas remained unchanged in 2008 and 2009, the sales volume increased substantially by 471.4% in 2009 because we launched this new product segment in July 2008, which resulted in 2009 being the first full year in which we sold our infant formulas.

RESULTS OF OPERATIONS (Continued)

Revenue (Continued)

Dried baby food products

Revenue of our dried baby food products increased by 77.8% from RMB55.0 million in the year ended 31 December 2009 to RMB97.8 million in the year ended 31 December 2010. The sales volume of our dried baby food products increased by 177.7% primarily due to the significant increase in sales of baby cereal products launched in April 2009. The increase in sales volume in the year ended 31 December 2010 was partly offset by the decrease in average selling price primarily due to the increase in baby cereal products, which have lower than segment average selling price.

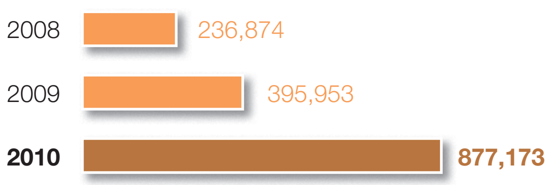
The sales volume of our dried baby food products increased by 290.5% in 2009, generating revenue of RMB30.9 million in 2008 and RMB55.0 million in 2009. The increase was due to our launching baby cereal products in April 2009, our expanded sales network and greater market recognition of our dried baby food products. In addition, we successfully repositioned our dried baby food products from “supplement dried baby food” to “multi-nutritional food for children” in March 2009, which also enhanced our sales.

Baby care products

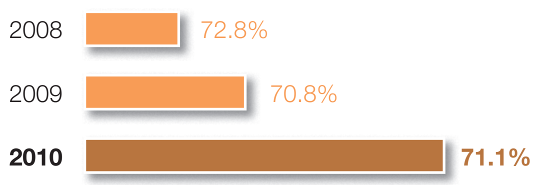
We began marketing baby care products under our newly-introduced *BMcare*™ brand in May 2010 and at the same time launching baby diapers as our key baby care product. In July 2010, we further introduced nursing pads as a supplement product in this category. In the year ended 31 December 2010, our baby care products generated RMB38.5 million of revenue and received very good feedback from our consumers.

Gross profit and gross profit margin

(Amounts in RMB’000)



(% of profit for the year)



Our gross profit margin maintained at above 70.0% during the years from 2008 to 2010, which was generally higher as compared with other infant formula companies in the PRC. The higher gross profit margin is mainly attributable to the higher average selling prices of our infant formulas, which is a result of our strategy to target and focus on high-end consumers who demand products with high quality.

Our gross profit increased to RMB877.2 million in 2010, representing an increase of 121.5% as compared to RMB396.0 million in 2009. Our 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.

Our gross profit increased by 67.2% from RMB236.9 million in 2008 to RMB396.0 million in 2009. Our gross profit margin decreased slightly from 72.8% in 2008 to 70.8% in 2009. The decrease in our gross profit margin was mainly attributable to the increased portion of revenue derived from infant formulas in 2009, which had a slightly lower gross profit margin at 67.3% as compared to that of probiotic supplements at 76.5%. Furthermore, the gross profit margin of dried baby food products decreased from 67.3% in 2008 to 58.9% in 2009 as a result of the increased unit costs of packaging materials, which was caused by the repositioning and rebranding of certain of our dried baby food products.

RESULTS OF OPERATIONS (Continued)

Other income and gains

Other income and gains increased by 41.9% from RMB3.1 million in 2009 to RMB4.4 million in 2010. The increase of other income and gains was primarily due to the increase in interest income, as we placed more interest-bearing bank deposits during 2010.

Other income and gains increased from RMB0.9 million in the year ended 31 December 2008 to RMB3.1 million in the year ended 31 December 2009, primarily as a result of increased income from trial sales of certain goods that were not within any of our previous product categories. We generated substantially more income from trial sales in 2009 than in 2008 because, in 2009 and before the establishment of Biostime Health and Nutrition (Guangzhou) Limited ("Biostime Nutrition"), we sold a substantial amount of Leseil Probiotic Capsule products on a trial basis. After the establishment of Biostime Nutrition, Leseil Probiotic Capsule products were no longer sold through us and relevant income recorded in the year ended 31 December 2009 was treated as other income based on its one-off, non-recurring nature.

Selling and distribution costs

Our selling and distribution costs increased by 81.0% from RMB248.3 million in 2009 to RMB449.5 million in 2010. The increase in our selling and distribution costs was primarily due to increase in promotional expenses, advertising expenses and staff costs and office expenses, which were in line with our business growth and increase in sales of our products. Although the selling and distribution costs increased substantially in 2010, our selling and distribution costs as a percentage of our total revenue decreased from 44.4% in 2009 to 36.4% in 2010. The decrease in our selling and distribution costs as a percentage of our total revenue in 2010 was primarily due to our effective operation management through the Mama100 Membership Platform, which enable us to effectively lower the new member acquisition cost and enhance the members' loyalty.

Our selling and distribution costs increased by 47.1% from RMB168.8 million in the year ended 31 December 2008 to RMB248.3 million in the year ended 31 December 2009. The increase was primarily due to an increase in staff costs for our sales and marketing staff and office expenses as well as promotional expenses. The increase in our staff costs and office expenses in 2009 was primarily due to an increase of salaries and benefits for our sales and marketing personnel, as a result of the increase in the number of our sales and marketing personnel from 470 in 2008 to 633 in 2009 as well as the average remuneration of such staff. In 2009, we spent RMB72.6 million for promotional activities, representing a 94.6% increase from RMB37.3 million in 2008. The substantial increase was primarily attributable to an increase in promotional materials, such as free gifts and promotional brochures and increased service fees paid to sales specialists working in specialty stores and Mama100 Members' Zones that are maintained in retail sales organizations and pharmacies.

Administrative expenses

Our administrative expenses increased by 230.6% from RMB26.5 million in 2009 to RMB87.6 million in 2010. The increase was primarily due to (i) the increase in listing expenses and (ii) the increase in salaries and wages of our administrative staff, as a result of addition of managerial employees to support our business, which corresponded to our business growth as well as increase in average remuneration level. Our administrative expenses as a percentage of our total revenue increased from 4.7% in 2009 to 7.1% in 2010. The increase in our administrative expenses as a percentage of our total revenue in 2010 was primarily due to listing expenses, which accounted for approximately 1.8% of our total revenue. The increase in our administrative expenses as a percentage of our total revenue in 2010 was also due to the increased salaries and wages.

Our administrative expenses increased by 30.5% from RMB20.3 million in the year ended 31 December 2008 to RMB26.5 million in the year ended 31 December 2009. The increase was primarily due to the addition of managerial-level employees in various departments of our operating subsidiaries to support our business growth.

RESULTS OF OPERATIONS (Continued)

Other expenses

Our other expenses increased by 70.5% from RMB6.1 million in 2009 to RMB10.4 million in 2010. The increase in other expenses was primarily due to the increase in research and development expenses as a result of the addition of research and development personal and programs, as well as the increase in donations to charity organizations.

Our other expenses increased by 52.5% from RMB4.0 million in the year ended 31 December 2008 to RMB6.1 million in the year ended 31 December 2009. The increase in other expenses was primarily due to an increase in expenses related to the addition of research and development personnel and increased expenditure relating to additional research and development activities.

EBITDA margin

Our EBITDA (earnings before interest, tax, depreciation and amortization) margin increased from 14.5% in 2008 to 22.0% in 2009, and then to 27.7% in 2010. The increase in our EBITDA margin was mainly due to our improving operation efficiency, effective cost control and efficient sophisticated management system, which led to the decrease in selling and distribution costs and administration expenses as a percentage of our total revenue from 58.1% in 2008 to 49.2% in 2009, and to 43.5% in 2010.

Income tax expenses

Our income tax expenses increased by 598.0% from RMB9.8 million in 2009 to RMB68.4 million in 2010, due to the increase in our profit before tax. Our effective income tax rate increased from 8.3% in 2009 to 20.5% in 2010, as a result of the significant increase in profit before tax contributed by Biostime (Guangzhou) Health Products Limited ("Biostime Health"), which was exempted from the Enterprise Income Tax ("EIT") in the two years ended 31 December 2008 and 2009, and is subject to EIT at a reduced rate of 11.0% in the year ended 31 December 2010.

Despite a significant increase in our profit before tax, our income tax expenses increased by only 4.3% from RMB9.4 million in the year ended 31 December 2008 to RMB9.8 million in the year ended 31 December 2009, due to the effect of an income tax exemption applicable to our subsidiary, Biostime Health, in the year ended 31 December 2009. As a result of such preferential tax treatment, our effective income tax rate decreased significantly from 21.2% in the year ended 31 December 2008 to 8.3% in the year ended 31 December 2009.

Profit for the year

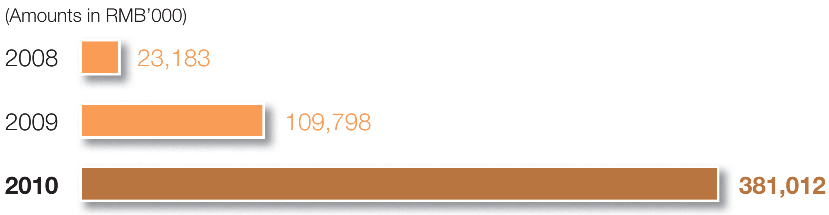
Our profit for the year increased by 145.3% from RMB108.3 million in 2009 to RMB265.7 million in 2010. Our net profit margin increased from 19.4% in 2009 to 21.5% in 2010. The increase in our net profit margin was mainly due to the increase in gross profit margin and decrease in selling and distribution costs as a percentage to total revenue, which is partly offset by the increase in administrative expenses as a percentage to our total revenue.

Our profit for the year increased by 207.7% from RMB35.2 million in the year ended 31 December 2008 to RMB108.3 million in the year ended 31 December 2009. Our net profit margin increased from 10.8% in 2008 to 19.4% in 2009. The increase in our net profit margin was mainly due to the decrease in selling and distribution costs and administrative expenses as a percentage to total revenue, which is partly offset by the decrease in gross profit margin.

FINANCIAL CONDITION

Our primary liquidity requirements relate to investment in additional manufacturing facilities and equipment as well as funding our working capital and normal recurring expenses. Our cash requirements are primarily financed through a combination of cash generated from operating activities and the proceeds of capital contributions from our shareholders.

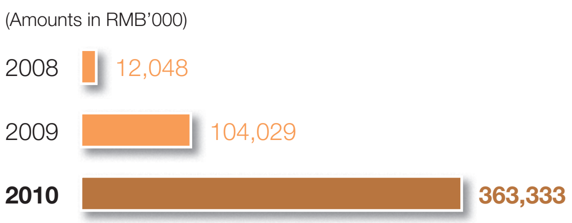
Cash flows from operating activities

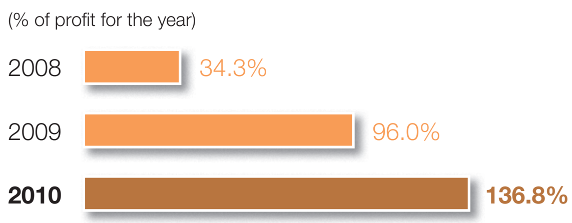


In the year ended 31 December 2010, we had net cash generated from operating activities of RMB381.0 million, consisting of cash generated from operations of RMB424.7 million, partly offset by income tax paid of RMB43.7 million. Our cash generated from operations consisted of cash flow from operating activities of RMB341.9 million before working capital adjustments and net positive changes in working capital of RMB82.8 million.

In the year ended 31 December 2009, we had net cash generated from operating activities of RMB109.8 million, consisting of cash generated from operations of RMB119.1 million, partially offset by income tax paid of RMB9.3 million. Our cash generated from operations consisted of cash flows from operating activities of RMB122.9 million before working capital adjustments and net negative changes in working capital of RMB3.8 million.

Free cash flow





Free cash flow is defined as cash flow from operating activities less capital expenditures. Our free cash flow increased by 249.3% from RMB104.0 million in 2009 to RMB363.3 million in 2010, as a result of higher cash flow generated from operating activities, which was partly offset by the higher capital expenditures. Free cash flow productivity is defined as the ratio of free cash flow to profit for the year. Our free cash flow productivity increased from 96.0% in 2009 to 136.8% in 2010.

FINANCIAL CONDITION (Continued)

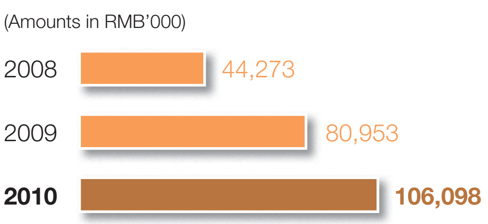
Cash flows used in investing activities

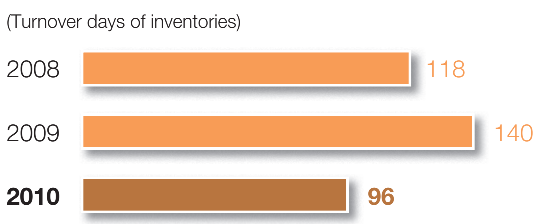
In the year ended 31 December 2010, our net cash used in investing activities was RMB9.4 million. Our net cash outflows for investing activities mainly consisted of (i) purchase of property, plant and equipment of RMB17.4 million, which primarily related to acquisition of computers and POS machines as well as equipment for our information system and (ii) partly offset by decrease in restricted cash of RMB6.1 million, primarily related to guarantee deposits for letters of credits.

In the year ended 31 December 2009, our net cash used in investing activities was RMB9.8 million. Our net cash outflows for investing activities mainly consisted of (i) increased purchases of property, plant and equipment of RMB5.5 million, which primarily related to acquisitions of computers, coding machines and vehicles for business use and (ii) increase of restricted cash of RMB4.9 million, primarily relating to guarantee deposits for issuance of letters of credit.

Working capital

Inventories





Our inventory increased from RMB44.3 million as of 31 December 2008 to RMB81.0 million as of 31 December 2009 and to RMB106.1 million as of 31 December 2010. The increase in our inventory was primarily due to the expansion of our business and product portfolio and an increase in our sales volumes.

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.

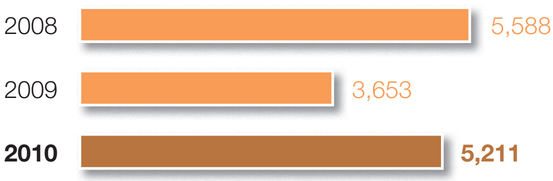
Our average inventory turnover days increased from 118 days in 2008 to 140 days in 2009, primarily because we started marketing infant formula products in July 2008, which required that we hold more products in inventory. In particular, after achieving significant growth for our infant formula business in 2009, we imported a substantial amount of infant formula products at the end of 2009 to accommodate our anticipated sales growth of infant formula products in 2010.

FINANCIAL CONDITION (Continued)

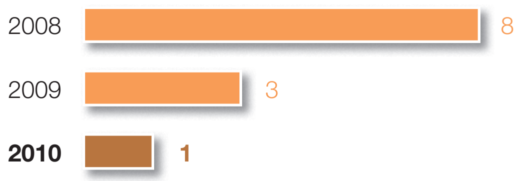
Working capital (Continued)

Trade and bills receivables

(Amounts in RMB'000)



(Turnover days of trade and bills receivables)



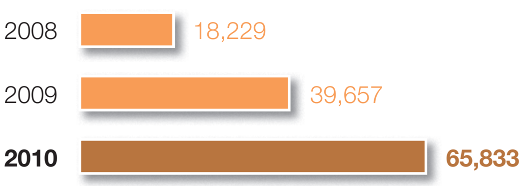
Our trade and bills receivables increased by 40.5% from RMB3.7 million as of 31 December 2009 to RMB5.2 million as of 31 December 2010, which was in line with the increase in revenue. Our bills receivable, which took up 90.4% of the total trade and bills receivables balance as at 31 December 2010 (2009: 70.3%), increased by 80.8% from RMB2.6 million as of 31 December 2009 to RMB4.7 million as of 31 December 2010. While our trade receivables decreased by 54.5% from RMB1.1 million as of 31 December 2009 to RMB0.5 million as of 31 December 2010.

Our trade and bills receivables decreased by 33.9% from RMB5.6 million as of 31 December 2008 to RMB3.7 million as of 31 December 2009, which was in line with the expansion of distribution coverage.

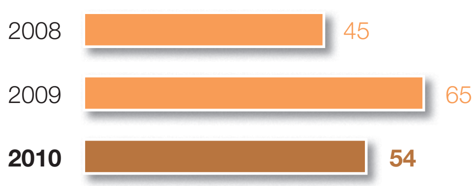
The average turnover days of trade and bills receivables decreased from 8 days in 2008 to 3 days in 2009 and to 1 day in 2010, primarily due to more stringent enforcement of our credit policy.

Trade payables

(Amounts in RMB'000)



(Turnover days of trade payables)



Our trade payables increased from RMB18.2 million as of 31 December 2008 to RMB39.7 million as of 31 December 2009 and to RMB65.8 million as of 31 December 2010, primarily due to the expansion of our business and the growth of our sales volumes which resulted in corresponding increases in purchases from our suppliers.

Our suppliers generally grant us a credit period of 30 to 90 days. Our trade payables turnover days decreased from 65 days in 2009 to 54 days in 2010, mainly due to the shorter credit period for baby care products, which we launched in May 2010.

The average turnover days of our trade payables increased from 45 days in 2008 to 65 days in 2009 primarily due to the larger purchases following the expansion of our product lines and business scale and the extended credit period granted by certain suppliers for our large volume purchases.

Capital expenditures

Our principal capital expenditures are related to the expansion of our production facilities, major maintenance, modernization of our existing plant and machinery. Our capital expenditures with respect to the purchase of property, plant and equipment were RMB5.5 million and RMB17.4 million for the years ended 31 December 2009 and 2010, respectively.

The Board of Directors (the "Board") of the Company is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 31 December 2010.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

Recognizing the importance of a publicly listed company's responsibilities to enhance its transparency and accountability, the Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability.

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the Listing Date.

Throughout the period from the Listing Date to 31 December 2010, the Company has complied with the code provisions as set out in the CG Code (to the extent that such provisions are applicable), except for the deviation from code provision A.2.1 which is explained in the relevant paragraph of this Report.

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 they comply with the CG Code and align with the latest developments.

THE BOARD

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

Board Composition

The Board currently comprises nine members, consisting of three executive Directors, three non-executive Directors and three independent non-executive Directors:

Executive Directors:

Mr. Luo Fei *(Chairman, Chief Executive Officer, Chairman of the Nomination Committee and Member of the Remuneration Committee)*
Dr. Zhang Wenhui *(Chief Technology Officer and Head of the Quality Assurance Department)*
Ms. Kong Qingjuan *(Chief Operating Officer)*

Non-executive Directors:

Mr. Wu Xiong
Mr. Luo Yun *(Member of the Audit Committee)*
Mr. Chen Fufang

Independent non-executive Directors:

Mr. Ngai Wai Fung *(Chairman of the Audit Committee and Member of the Remuneration Committee and the Nomination Committee)*
Mr. Tan Wee Seng *(Chairman of the Remuneration Committee and Member of the Audit Committee and the Nomination Committee)*
Professor Xiao Baichun

THE BOARD (Continued)

Board Composition (Continued)

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

Mr. Luo Fei, Chairman, Chief Executive Officer and executive Director, is the younger brother of Mr. Luo Yun, non-executive Director. Save as disclosed, there are no financial, business, family or other material/relevant relationships among members of the Board.

Since the Listing Date and up to 31 December 2010, the Board at all times met the requirements of Rules 3.10(1) and (2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

The non-executive Directors bring a wide range of business and financial expertise, experience and independent judgment to the Board. Through active participation at Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive Directors make various contributions to the effective direction of the Company.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and the Chief Executive Officer 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 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.

Appointment and Re-election and Removal of Directors

Each of the Directors of the Company has entered into a service contract or a letter of appointment with the Company for a specific term. Such term is subject to his/her re-election by the Company at an annual general meeting (the "AGM") upon retirement.

In accordance with the Company's Articles of Association adopted by the Company on 25 December 2010 (the "Articles of Association"), any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election. At each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an AGM at least once every three years and being eligible offer themselves for re-election.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

THE BOARD (Continued)

Nomination Committee

The Nomination Committee comprises three members, namely, Mr. Luo Fei (Chairman of the Nomination Committee), Mr. Ngai Wai Fung and Mr. Tan Wee Seng, the majority of them are independent non-executive Directors.

The principal duties of the Nomination Committee include the following:

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board on the regular basis and make recommendations to the Board regarding any proposed changes;
- To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- To assess the independence of independent non-executive Directors of the Company; and
- To make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors of the Company and succession planning for Directors of the Company in particular the Chairman and the Chief Executive Officer.

The Nomination Committee carries out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations. An external recruitment agency may be engaged to carry out the recruitment and selection process where necessary.

During the year ended 31 December 2010, no meeting was convened by the Nomination Committee because the Company was only listed on 17 December 2010 and most of the present Directors were appointed in May and July 2010. The Nomination Committee considers that it is not necessary to review the size and composition of the Board and identify any new Board member for the period from the Listing Date to 31 December 2010. From 2011 onward, the Nomination Committee will conduct meeting at least once a year.

In accordance with the Company's Articles of Association, Mr. Luo Fei, having been appointed as executive Director of the Company by the Board in April 2010, Dr. Zhang Wenhui and Ms. Kong Qingjuan, having been appointed as executive Directors, Mr. Wu Xiong, Mr. Luo Yun and Mr. Chen Fufang, having been appointed as non-executive Directors by the Board in May 2010, while Mr. Ngai Wai Fung, Mr. Tan Wee Seng and Professor Xiao Baichun having been appointed as independent non-executive Directors of the Company by the Board in July 2010, shall retire and being eligible, offer themselves for re-election at the next forthcoming AGM of the Company.

The Nomination Committee recommended the re-appointment of the Directors standing for re-election at the next forthcoming AGM of the Company.

The Company's circular dated 21 April 2011 contains detailed information of the Directors standing for re-election.

Training and Continuing Development

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for Directors will be arranged where necessary.

THE BOARD (Continued)

Board Meetings

The Board meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications.

The Company was listed on 17 December 2010 and no Board meeting was convened by the Company during the period from the Listing Date to 31 December 2010. The Company will adopt the practice of holding Board meetings regularly for at least four times a year at approximately quarterly intervals. At least 14 days' notice will be given for a regular Board meeting to give all Directors an opportunity to attend. For all other Board meetings, reasonable notice will be given.

Pursuant to code provision A.1.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year. Since the Listing Date, it is considered that the Directors are well acknowledged to the business and the operation of the Group by the participation in the initial public offer campaign.

All Directors are provided with relevant materials relating to the matters in issue in advance before the meetings and have the opportunity to include matters in the agenda for Board meetings. They can separately get access to the senior management and the joint company secretaries at all time and may seek independent professional advice at the Company's expense. Pursuant to code provisions A.1.5 and A.1.6 of the CG Code, minutes of Board meetings and meetings of Board committees are kept by the company secretary of the meeting and such minutes are open for inspection at any reasonable time on reasonable notice by any Director. Minutes of Board meetings and meetings of Board committees record in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by the Directors or dissenting views expressed. Draft and final versions of minutes of Board meetings were sent to all the Directors for their comment and record respectively, in both cases within a reasonable time after the Board meeting was held.

Pursuant to code provision A.1.8 of the CG Code, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would not be dealt with by way of circulation or by a committee (except an appropriate Board committee set up for that purpose pursuant to a resolution passed in a Board meeting) but a Board meeting would be held. Independent non-executive Directors who have no material interest in the transaction would be present at such Board meeting.

The Board procedures are in compliance with the Articles of Association of the Company, as well as relevant rules and regulations.

Two Board meetings were convened for the period from 30 April 2010 (Date of Incorporation) to 16 December 2010 and the attendance records of each Director at the Board meetings are set out below:

Name of Director	Attendance/Number of Meetings
Mr. Luo Fei	2/2
Dr. Zhang Wenhui	2/2
Ms. Kong Qingjuan	2/2
Mr. Wu Xiong	2/2
Mr. Luo Yun	2/2
Mr. Chen Fufang	2/2
Mr. Ngai Wai Fung	1/2
Mr. Tan Wee Seng	1/2
Professor Xiao Baichun	1/2

THE BOARD (Continued)

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 throughout the period from the Listing Date to 31 December 2010.

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

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

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.

DELEGATION BY THE BOARD

The Board reserves for its decision all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the joint company secretaries, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management. The delegated functions and responsibilities are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the aforesaid officers.

The Board has established three committees, namely, the Nomination Committee, Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are available to shareholders upon request. And the Board Committees should report to the Board on their decisions or recommendations made.

The Board has the full support of the Chief Executive Officer and the senior management for the discharge of its responsibilities.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of senior management of the Group. Details of the remuneration of each of the Directors of the Company for the year ended 31 December 2010 are set out in note 7 to the financial statements.

Remuneration Committee

The Remuneration Committee comprises three members, namely, Mr. Tan Wee Seng (Chairman of the Remuneration Committee), Mr. Luo Fei and Mr. Ngai Wai Fung, the majority of them are independent non-executive Directors.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the Chairman and/or the Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

As the Company was only listed on 17 December 2010, no meeting was convened by the Remuneration Committee during the period from the Listing Date to 31 December 2010. From 2011 onward, the Remuneration Committee will conduct meeting at least once a year.

ACCOUNTABILITY AND AUDIT

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2010.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The senior management of the Group has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

Internal Controls

During the year under review, the Board conducted a review of the effectiveness of the internal control system of the Company, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programs and budget.

The Board has overall responsibility for the internal control system of the Company and for reviewing its effectiveness. The Board is also responsible for maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company.

The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks, and to safeguard assets of the Group. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis, and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

ACCOUNTABILITY AND AUDIT (Continued)

Audit Committee

The Audit Committee comprises three members, namely, Mr. Ngai Wai Fung (chairman of the Audit Committee), Mr. Luo Yun and Mr. Tan Wee Seng (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise). None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the staff responsible for the accounting and financial reporting function, internal auditor or external auditor before submission to the Board;

- To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor;

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee oversees the internal control system of the Group, reports to the Board on any material issues, and makes recommendations to the Board.

During the year under review, the Audit Committee reviewed the Company's annual results and Annual Report for the year ended 31 December 2010, the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management systems and processes, and the re-appointment of the external auditor. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditor.

As the Company was only listed on 17 December 2010, no meeting was convened by the Audit Committee during the period from the Listing Date to 31 December 2010. From 2011 onward, the Audit Committee will conduct meeting at least twice a year.

External Auditor and Auditor's Remuneration

The statement of the external auditor of the Company about their reporting responsibilities for the financial statements of the Company is set out in the Independent Auditors' Report on page 45.

During the year under review, the remuneration paid/payable to the Company's external auditor, Ernst & Young, is set out below:

Type of Services	RMB'000
Audit services	4,590
— Annual audit service	1,270
— Reporting accountants in relation to the listing	3,300
— Factual finding report on the Company's annual results announcements	20
Non-audit services (Tax advisory and internal control review services)	750
Total	**5,340**

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee or, in their absence, other members of the respective committees are available to answer questions at shareholder meetings.

The forthcoming AGM will be held on 9 June 2011. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

To promote effective communication, the Company maintains a website at www.biostime.com.cn, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted are available for public access. Investors may write directly to the Company or via email to IR@biostime.com.cn for any enquiries.

SHAREHOLDER RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual Directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting. On a poll, votes may be given either personally or by proxy.

DIRECTORS

Executive Directors

Mr. Luo Fei (羅飛), aged 46, was appointed as an executive Director on 30 April 2010 and is the chairman and chief executive officer of the Company. He is also a director of our subsidiaries Biostime Health and BMcare Baby Products Inc. (Guangzhou) ("BMcare Guangzhou"). He is primarily responsible for our overall strategies, planning and business development. He has approximately 17 years of experience in the industry of products of biotechnology. From June 1989 to October 1990, he was in the full time employ of Kanghai Enterprise Development Company of Guangzhou Economic and Technological Development Zone (廣州經濟技術開發區康海企業發展公司) as an assistant engineer. In February 1993, he established Guangzhou Baixing Bioengineering Co., Ltd. (廣州百星生物工程有限公司) and acted as the legal representative and general manager. In December 1994, he established Guangzhou Biohope Co., Ltd. ("Guangzhou Biohope"), a company engaged in import and distribution of raw materials for personal care products and household cleaning products, and he was the legal representative of this company from December 1994 to June 2010, and a director from December 1994 to date. In August 1999, he established Biostime, Inc. (Guangzhou) ("Biostime Guangzhou") and has served as the general manager in Biostime Guangzhou since then. He has also been a director of Biostime Nutrition since its establishment in September 2009. Mr. Luo's current social undertakings include vice-chairman of the Mommy Baby Products Association of Guangdong (廣東省孕嬰童用品協會) and chairman of the management committee of Biostime China Foundation for Mothers and Children. Mr. Luo is the younger brother of Mr. Luo Yun, one of our non-executive Directors. Mr. Luo received a bachelor's degree in microbiological engineering in July 1985 and a master's degree in industrial fermentation in June 1988 from South China University of Technology (華南理工大學), formerly known as South China Institute of Technology (華南工學院). He has also completed China Europe International Business School's (中歐國際工商學院) EMBA program and was awarded a master's degree in business administration in September 2008.

Dr. Zhang Wenhui (張文會), aged 45, was appointed as an executive Director on 12 May 2010 and is the chief technology officer and head of the Quality Assurance Department of the Company. He is also a director of our subsidiaries Biostime Health and BMcare Guangzhou. He has been a director of Biostime Nutrition since its establishment in September 2009. He has become a general manager of the technology center of Biostime Health since 10 December 2010. He is primarily responsible for the research and development, product quality control and technology support, as well as international supply chain management. He has almost 15 years of experience in the industry of biotechnology, through teaching in universities and working for several companies of this industry. He joined us in October 2005 as the chief technology officer of Biostime Guangzhou, and was appointed as its director on 10 December 2010. Prior to that, he was a lecturer of bioengineering in South China University of Technology (華南理工大學) from August 1994 to August 1996. From December 2000 to August 2003, he was employed as a research assistant professor in the department of chemical engineering in University of Nebraska-Lincoln (內布拉斯加大學林肯分校) in the United States. After that, he served as a scientist for the process development department of Xoma (US) LLC in the United States from September 2003 to September 2005. Dr. Zhang received a bachelor's degree in biochemical engineering from East China University of Science and Technology (華東理工大學), formerly known as East China College of Chemical Engineering (華東化工學院), in July 1985, a master's degree in industry fermentation and a doctorate in fermentation engineering from South China University of Technology (華南理工大學) in July 1988 and September 1994, respectively. From October 1996 to September 1997, he was engaged in international post graduate university course in microbiology in Osaka University (大阪大學). He conducted researches as a post-doctoral scientist in the department of food science and technology in the University of Nebraska-Lincoln in the United States from October 1997 to November 2000.

DIRECTORS (Continued)

Executive Directors (Continued)

Ms. Kong Qingjuan (孔慶娟), aged 48, was appointed as an executive Director on 12 May 2010 and is the chief operating officer of the Company. She is also a supervisor of our subsidiaries Biositme Health, BMcare Guangzhou and Biostime Guangzhou. She is also a general manager of the operation centre of Biostime Health. She has over 15 years of experience in the industry of products of biotechnology and is mainly responsible for the overall procurement, logistics, production, as well as internal compliance and control. She joined us in July 2000 and was appointed as a director of Biostime Guangzhou from December 2002 to December 2010, and she was the chief operating officer of that company from January 2006 to December 2010. Prior to joining us, she worked for Hospital of Traditional Chinese Medicine of Hebei Province (河北省中醫院) from January 1983 to July 1995. From August 1995 to February 2000, she was employed by Dalian Sanzhu Bio-Cosmetic Co., Ltd. (大連三株生態化妝品有限公司). Ms. Kong graduated from Hebei Medical University (河北醫科大學), formerly known as Hebei Medical Institute (河北醫學院), with a bachelor's degree in clinical medicine in July 1985.

Non-executive Directors

Mr.Wu Xiong (吳雄), aged 54, was appointed as a non-executive Director on 12 May 2010. He is also a director of our subsidiaries Biostime Guangzhou, Biostime Health and BMcare Guangzhou. He has been the legal representative and general manager of Hainan Fangsheng Industry Development Co., Ltd. (海南方盛實業發展有限公司) since December 2009 and is responsible for the overall management of its business operation. Mr. Wu worked in the Administration for Industry and Commerce of Haikou City (海口市工商行政管理局) between December 1980 and December 1997. From December 1997 to December 2000, he worked for Haikou Market Properties Development Co., Ltd. (海口市市場物業發展有限公司). From December 2000 to December 2009, he was the legal representative and general manager of Hainan Junjie Automobile Sale Co., Ltd. (海南駿捷汽車銷售有限公司) and was responsible for its overall business operations. Mr. Wu graduated from Haikou No.1 Middle School (海口市第一中學) in July 1975.

Mr. Luo Yun (羅雲), aged 49, was appointed as a non-executive Director on 12 May 2010. He is also a director of our subsidiaries Biostime Guangzhou, Biostime Health and BMcare Guangzhou. He has been a director and the general manager of Biostime Nutrition since its establishment in September 2009, where he is responsible for the overall strategies and business development. From 1980 to 1993, he was employed by Haikou Qiongshan Medical Co., Ltd. (海口瓊山醫藥公司). He then worked as a sales manager for Guangzhou Biohope from December 1994 to August 1999. From August 1999 to September 2009, he held various positions in Biostime Guangzhou including the sales director and the director in charge of Mama100 membership center. Mr. Luo graduated from Continuing Education School of Jinan University (暨南大學成人教育學院) in July 1987 with a certificate of graduation in business and economic management. He has also enrolled in the EMBA course of Fudan University (復旦大學) in Shanghai since November 2008. Mr. Luo is the elder brother of Mr. Luo Fei, one of our executive Directors.

Mr. Chen Fufang (陳富芳), aged 46, was appointed as a non-executive Director on 12 May 2010. He is also a director of our subsidiaries Biostime Guangzhou, Biostime Health and BMcare Guangzhou. He has been a director and the general manager of Guangzhou Biohope since March 1999, and its legal representative since June 2010, where he is in charge of the overall business operations and management. Prior to that, he worked for Guangdong Textile Industry Group Company (廣東省紡織工業總公司), a company engaged in the import and export of textile products and apparels, from 1988 to 1997, where he was recognized as chemical fiber assistant engineer (化纖助理工程師) and chemical fiber engineer (化纖工程師) in March 1988 and November 1992, respectively. He graduated from South China University of Technology (華南理工大學), formerly known as South China Institute of Technology (華南工學院), with a bachelor's degree in chemical fiber in July 1985 and a master's degree in chemical fiber in June 1988.

DIRECTORS (Continued)

Independent Non-executive Directors

Mr. Ngai Wai Fung (魏偉峰), aged 48, was appointed as an independent non-executive Director on 12 July 2010. Mr. Ngai is the managing director of MN Consulting Limited, a vice president of the Hong Kong Institute of Chartered Secretaries (the "HKICS") and a chairman of the membership committee of the HKICS. He was a director and head of Listing Services of KCS Hong Kong Limited (formerly the corporate and commercial divisions of KPMG and Grant Thornton) from 2007 to 2010 and its associate director from 2005 to 2007. Prior to that, Mr. Ngai held various senior management positions including executive director, chief financial officer and company secretary in a number of companies listed in Hong Kong, including Cosco Group, China Unicom Limited (中國聯通股份有限公司) and Industrial and Commercial Bank of China (Asia) Limited (中國工商銀行(亞洲)有限公司). Mr. Ngai was an independent non-executive director of Code Agriculture (Holdings) Limited (科地農業控股有限公司), formerly known as M21 Technology Limited (智庫科技有限公司) from October 2004 to October 2007 and an independent non-executive director of China Life Insurance Company Limited (中國人壽保險股份有限公司) from December 2006 to May 2009. In addition, Mr. Ngai is currently an independent non-executive director and a member or chairman of the audit committee of the below companies, the shares of which are listed on the Main Board of the Stock Exchange. Details of such information are set out in tabular format below.

Company Name (English)	Company Name (Chinese)	Stock Code	Appointment Date
Bawang International (Group) Holdings Limited	霸王國際(集團)控股有限公司	1338 (Main Board)	December 2008
Bosideng International Holdings Limited	波司登國際控股有限公司	3998 (Main Board)	September 2007
China Coal Energy Company Limited	中國中煤能源股份有限公司	1898 (Main Board)	December 2010
China Railway Construction Corporation Limited	中國鐵建股份有限公司	1186 (Main Board)	November 2007
Franshion Properties (China) Limited	方興地產(中國)有限公司	817 (Main Board)	May 2007
Powerlong Real Estate Holdings Limited	寶龍地產控股有限公司	1238 (Main Board)	June 2008
Sany Heavy Equipment International Holdings Limited	三一重裝國際控股有限公司	631 (Main Board)	November 2009
SITC International Holdings Company Limited	海豐國際控股有限公司	1308 (Main Board)	September 2010

Mr. Ngai had led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities, and the provision of professional services and support to many state-owned enterprises and red-chip companies in the areas of regulatory compliance, corporate governance and secretarial services. Mr. Ngai is a member of the Association of Chartered Certified Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators, a fellow of the HKICS, a fellow of Hong Kong Institute of Directors and a member of Hong Kong Securities Institute.

Mr. Ngai received a master's degree in corporate finance from Hong Kong Polytechnic University in 2002 and a master's degree in business administration from Andrews University of Michigan in 1992. He is a doctoral candidate in finance at Shanghai University of Finance and Economics (上海財經大學). Mr. Ngai has extensive experience in accounting and financing as well as in corporate governance, which is relevant to the Company in matters relating to corporate governance practices such as internal control and internal audit.

DIRECTORS (Continued)

Independent Non-executive Directors (Continued)

Mr. Tan Wee Seng (陳偉成), aged 55, was appointed as an independent non-executive Director on 12 July 2010. Mr. Tan is a professional in value and business management consultancy. He has been a non-executive director of Sa Sa International Holdings Limited (莎莎國際控股有限公司) since March 2010 and Xtep International Holdings Limited (特步國際控股有限公司) since March 2010, the shares of both of which are listed on the Main Board of the Stock Exchange, an independent director of ReneSola Ltd. since April 2009, and 7 Days Group Holdings Limited since November 2009, the shares of both of which are listed on the New York Stock Exchange. Below are Mr. Tan's current directorships in listed companies in tabular format.

Company Name (English)	Company Name (Chinese)	Stock Code	Appointment Date
Sa Sa International Holdings Limited	莎莎國際控股有限公司	178 (Main Board)	March 2010
Xtep International Holdings Limited	特步國際控股有限公司	1368 (Main Board)	March 2010
ReneSola Ltd	N/A	SOL (New York Stock Exchange)	April 2009
7 Days Group Holdings Limited	N/A	SVN (New York Stock Exchange)	November 2009

Mr. Tan has over 30 years of experience in financial, operation and business management and has also held various senior management positions in a number of companies and multi-national corporations. From 2003 to 2008, he was an executive director, chief financial officer and company secretary of Li Ning Company Limited (李寧有限公司), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Tan is a fellow of the Chartered Institute of Management Accountants, the United Kingdom, and a fellow of the Hong Kong Institute of Directors.

Professor Xiao Baichun (蕭柏春), aged 62, was appointed as an independent non-executive Director on 12 July 2010. Professor Xiao is a professional and scholar in management science. Professor Xiao has strong academic background and extensive experience in business management, which is relevant to our business operations in matters relating to corporate governance practices. From April 1994, he was with Seton Hall University as an associate professor and was promoted to professor in March 1999. He was also the chairman of computing and decision sciences department of Seton Hall University in 1998. Since September 1998, he has been with Long Island University pursuing his teaching career and is now a senior professor. He has also been the chairman of the department of management of Long Island University since 18 September 2005. Professor Xiao was appointed by various universities in China as either a chair professor or a visiting professor. For example, he has been a faculty member of Peking University (北京大學) since January 2005, a visiting professor of Chinese University of Hong Kong (香港中文大學), a guest professor and a director of Chinese American Center for service and operation management in Southwest Jiaotong University (西南交通大學) since May 2004, a distinguished professor of EMBA program in Fudan University (復旦大學) since August 2005 and a lifetime professor of the management school of Sichuan University (四川大學) since May 2000. As a testament to his achievement, Professor Xiao received various awards in his research area. He received "University Fellowship" from Wharton School, University of Pennsylvania in 1986 and 1987 and "Outstanding Scholarship Award" from Seton Hall University in 1998 and 1999. He also received from College of Management of Long Island University "Outstanding Scholarship Award" in 2006. Professor Xiao currently serves as a member of the board of directors of Nanjing University (南京大學). Professor Xiao received a bachelor's degree in mathematics from Nanjing University (南京大學) in July 1982, a MBA degree from Catholic University of Leuven, Belgium in March 1985, and his Ph.D. from Wharton School, University of Pennsylvania in December 1990.

SENIOR MANAGEMENT

Mr. Zhao Li (趙力), aged 41, joined the Group in October 2004 and is our sales and marketing general manager. He was employed by Chenzhou Institute for Drug Control (郴州市藥品檢驗所) till January 2003. He joined us in October 2004 as the regional sales manager for Guangdong Province, and was promoted to be our regional sales manager for South China in December 2006, sales and marketing director for infant formula products in July 2007, and sales and marketing director in December 2007. Mr. Zhao was appointed as our sales and marketing general manager in May 2010 and is now in charge of the operation of sales channels, overall marketing strategies and promotion tactics, by leveraging his abundant experience in sales and marketing. Mr. Zhao obtained a bachelor's degree in Chinese medicine from Hunan College of Traditional Chinese Medicine (湖南中醫學院) in July 1991. He has also enrolled in the EMBA courses of South China University of Technology (華南理工大學) since December 2009.

Mr. Zhu Dingping (朱定平), aged 34, joined the Group in February 2007. He is our sales director and is mainly responsible for the overall sales affairs. Before joining the Group, he had over ten years of experience in the pharmaceutical industry mainly obtained from working for companies in this industry. He was with Guangdong Minglin Pharmaceutical Co., Ltd. (廣東明林藥業有限公司) as a regional sales manager from August 1996 to December 2006. Mr. Zhu received a certificate of graduation in pharmaceutical science from China Pharmaceutical University (中國藥科大學) in July 2006 for completing the adult higher education courses. He also participated in several advanced trainings so as to improve his professional skills. For instance, in September 2004, he attended the executive training program jointly held by the Asia-Pacific Institute of Business of the Chinese University of Hong Kong (香港中文大學亞太研究所) and Nin Jion Medicine Mfy (HK) Ltd. (香港京都念慈庵總廠有限公司). He had also completed the Business Administration training courses of Lingnan (University) College, Sun Yat-Sen University (中山大學嶺南(大學)學院) and received the certificate of completion in February 2003. He is currently enrolling in the EMBA courses of Management School, Jinan University (暨南大學管理學院). He obtained a certificate of pharmacist (藥師資格證) by the Professional Titles ReformWork Leading Group of Guangdong Drug Administration (廣東省藥品監督管理局職稱改革領導小組) in March 2003.

Dr. Patrice Malard, aged 56, joined the Group in October 2010. He is our chief scientific officer and is mainly responsible for providing technical support and advice to the research and development of our products. He was the scientific consultant of Biostime Guangzhou from 1 March 2008 to 30 September 2010. Dr. Patrice has almost 20 years of experience in the nutrition products industry. From October 1981 to March 1990, he worked for Gist Brocades SA as a science director. From April 1990 to June 1991, he was employed by CPIAA SA as a manager. From June 1991 to November 1994, he was the strategy and development director of the French subsidiary of Pioneer France Maïs SA. He also has worked as a director of Silab Sarl and sales and marketing director of Lallemand SAS for the period from February 1995 to October 2007. From March 2008 till now, he was the owner of Kloarys Développement Sarl and acted as the general manager. He obtained his Ph.D. in molecular and cellular Biology from Lille University of Science and Technology in 1981.

Mr. Chen Guanghua (陳光華), aged 35, joined the Group in March 2008. He is the director in charge of Mama100 membership center and is mainly responsible for the operation and development of such center. He had over ten years of working experience in the field of information technology, especially the ERP system, CRM system and enterprise informatization, before joining the Group. From July 1997 to January 1999, he worked in Guangdong Fotao Group Co., Ltd. (廣東佛陶集團股份有限公司) as an assistant engineer. From January 1999 to February 2008, he was employed by Guangzhou Tianjian Computer System Engineering Co., Ltd. (廣州天劍計算機系統工程有限公司) and assumed positions including software engineer, department manager and deputy general manager, respectively. Mr. Chen was selected as an expert in science and technology for the database of experts by Science and Information Technology Bureau of Guangzhou (廣州市科技和信息化局) and he also won the "Science and Technology Award of Guangzhou" (廣州市科學技術獎) by Guangzhou Municipal Government in October 2006 and the "Science and Technology Award of Foshan" (佛山市科學技術進步獎) by Foshan Municipal Government in June 2006. In July 1997, Mr. Chen obtained a bachelor's degree in silicate science and engineering from Tongji University (同濟大學). In December 2004, he obtained a master's degree in computer technology from South China University of Technology (華南理工大學).

SENIOR MANAGEMENT (Continued)

Ms. Laetitia Garnier (安玉婷), aged 30, joined the Group in July 2010. She is our international cooperation director and is mainly responsible for the establishment and maintenance of our relationships with foreign entities. From December 2003 to August 2010, she worked for French Trade Commission in South China and was mainly responsible for providing lobbying and operational support to French companies exporting and investing in China, especially in the field of consumer goods and health sectors. Prior to that, she also has interned with the United States Senate in Washington D.C. from January 2001 to June 2001, the Banque Populaire Group in Paris from July 2001 to September 2001 and the LVMH Group in Paris from September 2002 to March 2003. In July 2003, she obtained a master's degree in business administration and corporate strategy from Institute of Political Studies in Paris.

Mr. Cao Wenhui (曹文輝), aged 32, joined the Group in March 2007. He is our chief finance officer and is mainly responsible for the overall financial and accounting affairs. He has over seven years of experience in financial management. He worked in Guangzhou BlueMoon Co., Ltd. (廣州藍月亮有限公司) as an accounting supervisor (管理會計) until May 2003. Between July 2003 and June 2005, Mr. Cao was an assistant finance manager in Guangzhou Devotion Thermal Equipment Co., Ltd. (廣州迪森熱能設備有限公司). From July 2005 to February 2007, he was with Mead Johnson (Guangzhou) Co., Ltd. (美贊臣(廣州)有限公司) as a senior accountant. Mr. Cao obtained a bachelor's degree in accounting from Anhui Finance & Trade College (the predecessor to Anhui University of Finance and Economics) (安徽財貿學院(現為安徽財經大學)) in December 2001. He has also enrolled in the EMBA courses of Carlson School of Management, University of Minnesota since September 2010. Mr. Cao is now a non-practicing member of Guangdong Provincial Institute of Certified Public Accountants (廣東省註冊會計師協會). He also obtained the qualification of certified tax agent (註冊税務師) by the Department of Human Resources of Guangdong Province (廣東省人事廳) in June 2005.

Ms. Qin Xia (秦霞), aged 32, joined the Group in November 2006. She is our senior marketing manager and is mainly responsible for the overall marketing affairs. Ms. Qin has almost eight years of experience in marketing and corporate strategic planning. From October 2002 to October 2003, she worked in Guangdong Yazhida Advertisement Co., Ltd. (廣東雅志達廣告有限公司) as a copy director. From August 2004 to July 2005, she was with Guangzhou Star Advertising & Promotion Co., Ltd. (廣州星際藝術傳播有限公司) as a strategy manager. Ms. Qin obtained a bachelor's degree in advertising from Beijing Technology and Business University (北京工商大學) in July 2002. She has also enrolled in the EMBA courses of Lingnan (University) College, Sun Yat-Sen University (中文大學嶺南(大學)學院) since May 2010.

Mr. Hu Xiaocheng (胡曉成), aged 33, joined the Group in November 2004 and is our senior key accounts manager. His experience is mainly in the sector of marketing and sales. He worked as a sales specialist for the Beijing sales branch of Jiangxi Tecom Science Co., Ltd. (江西特康科技有限公司) from 2000 to 2003, and was mainly responsible for selling products to hospital clients in north China. He joined us as the manager of our Shangrao sales office in Jiangxi Province. Due to his sound working performance, he was promoted to be our sales manager for Ningbo City in February 2005, regional sales manager for Shanghai in February 2006 and senior manager for sales administration in February 2007. Mr. Hu was appointed as our senior key accounts manager in May 2010 and by leveraging his experience in marketing and sales, he is now responsible for our sales channel of retail sales organizations. Mr. Hu received a junior college diploma in computer accounting from Jiangxi Radio and TV University (江西廣播電視大學) in July 1999. He has also enrolled in the EMBA courses of management school of Xiamen University (廈門大學) since September 2010.

Mr. Xu Lesheng (徐樂生), aged 35, is our senior strategy and development manager and is mainly responsible for our strategies and planning affairs. He has been with the Group since August 2001. Before joining the Group, Mr. Xu had rich experience in the pharmaceutical industry, serving in different positions in product development, marketing and corporate strategic planning. From November 1998 to June 1999, he was employed by Xiamen Feipeng Industrial Co., Ltd. (廈門飛鵬工業有限公司). From June 1999 to March 2001, he worked in Nanjing Cuccess Pharmaceutical Co., Ltd. (南京臣功製藥有限公司). Mr. Xu obtained a bachelor's degree in chemical engineering and biochemistry engineering from Huaqiao University (華僑大學) in July 1998. He has also enrolled in the EMBA courses of graduate school of Xiamen University (廈門大學) since September 2010.

SENIOR MANAGEMENT (Continued)

Mr. Xu Zhenjie (許振傑), aged 32, joined the Group in December 2006. He is our senior human resource manager and is responsible for the overall human resource affairs. He has nearly ten years of working experience in human resource management. From July 2001 to March 2006, he worked in the strategy development department and then was a human resource and administration manager in Guangzhou Ouya Mattress & Furniture Co., Ltd. of Symbol Group (廣州歐亞床墊家具有限公司). Between March and May of 2006, he was with Guangzhou Baiyun Tianjun International Media Co., Ltd. (廣州白雲天駿國際傳媒有限公司) as a human resource manager. Mr. Xu obtained a bachelor's degree in law from Sun Yat-Sen University (中山大學) in June 2001. He has also enrolled in the EMBA courses of Carlson School of Management, University of Minnesota since September 2010. Mr. Xu has participated in several professional training courses. For instance, senior human resources manager training program by the Professor & Manager Institute of Sun Yat-Sen University (中山大學教授經理研究會) from 30 March 2002 to 14 April 2002, tsinghua project management training by Aura International Management Training Centre in December 2008 and human resources management program by China Europe International Business School (中歐國際工商學院) in December 2008. He received the occupational qualification certificate of the first level of enterprise human resource management consultant (企業人力資源管理師) in December 2009 and the certificate of talent assessment consultant (人才評測師) in May 2006.

Mr. Xiong Huoyan (熊火焰), aged 38, is our senior promotion manager and is mainly responsible for promotion affairs. He joined the Group in December 2001 as the business representative for Guangdong Province and has been with the Group since then. He has over eight years of experience in product promotion. He was promoted to be our promotion manager in March 2006 and senior promotion manager in March 2008, and is now mainly responsible for promotional affairs of the Group. Mr. Xiong received a certificate of graduation in thermal power engineering after three years' study in the department of Material Science & Engineering of Jingdezhen Ceramic Institute (景德鎮陶瓷學院) in July 1996. He has also enrolled in the EMBA courses of management school of Xiamen University (廈門大學) since September 2010.

Ms. Mao Xiaoqing (毛曉青), aged 38, joined the Group in July 2007. She is our senior medical and technical support manager and is mainly responsible for medical and technical affairs regarding our products. Ms. Mao obtained a bachelor's degree in pharmaceutical analysis from China Pharmaceutical University (中國藥科大學) in July 1995. She obtained a master's degree in biochemistry from Nanjing University (南京大學) in June 2000 and the other master's degree in medical anthropology from University of Amsterdam in August 2001. In August 2007, she finished five and a half years' study at University of Missouri-Columbia (US) and obtained a doctorate in biochemistry. Besides, Ms. Mao participated in several professional training courses in the past. For instance, in September 2007, she finished the training course for public nutritionist at Guangdong Zhongda Pharmaceutical Professional Training School, Sun Yat-Sen University (中山大學廣東中大醫藥職業培訓學院) and received certificate of completion; in May 2008, she participated in and completed an online course of eight class hours on protection of human subject research participants, which was designed for those involved in the design and/or conduct of research involving human participants and presented information about protections for human participants in research, and received the relevant certificate of completion from the National Institutes of Health (NIH) Office of Extramural Research. The NIH is a part of the US Department of Health and Human Services, and is the nation's medical research agency.

Mr. Sun Rigao (孫日高), aged 37, joined the Group in May 2008. He is our production plant manager and is mainly responsible for production affairs, as well as various environmental and occupational health and safety issues under PRC laws and regulations, on a regular basis. He has nearly ten years of experience in production management. He worked as a production supervisor in Schering Pharmaceutical (Guangzhou) Co., Ltd. (先靈(廣州)藥業有限公司) between June 2001 and August 2005. From September 2005 to April 2008, he worked in Baxter Healthcare (Guangzhou) Co., Ltd. (廣州百特醫療用品有限公司) as a senior production supervisor. Mr. Sun obtained a bachelor's degree in pharmaceutical preparation from Shenyang Pharmaceutical University (瀋陽藥科大學) in July 1997. In June 2009, he obtained a MBA degree from Sun Yat-Sen University (中山大學). He also obtained a certificate of licensed pharmacist (執業藥師註冊證) issued by the Guangdong Food and Drug Administration (廣東省食品藥品監督管理局) in June 2010.

JOINT COMPANY SECRETARIES

Ms. Wong Tak Yee (黃德儀), aged 54, was appointed as one of our joint company secretaries and authorised representative of the Company on 12 July 2010. Ms. Wong is a director of the Corporate Services Division of Tricor Services Limited. Prior to joining Tricor Group in 2000, she was a senior manager of the company secretarial services department at Deloitte Touche Tohmatsu in Hong Kong. Ms. Wong is a Chartered Secretary and an associate member of both The Institute of Chartered Secretaries and Administrators and the HKICS. She also received a master's degree of arts in English for the professions from The Hong Kong Polytechnic University in 2009 and holds the Practitioner's Endorsement Certificate issued by the HKICS. Ms. Wong has over 25 years of experience in providing corporate secretarial services.

Ms. Yang Wenyun (楊文筠), aged 26, joined the Group in August 2005 and was appointed as one of our joint company secretaries on 12 July 2010. She is also the senior manager of the external affairs department. Ms. Yang started her professional career with the Group and has obtained substantial experience in administration, corporate governance, legal affairs and public relations over the past five years with us. From August 2005 to December 2008, she was working as an assistant of public affairs and was mainly responsible for our legal affairs and public relations. Concurrently, being an assistant to the general manager since November 2006, she has been responsible for part of our administrative affairs. From December 2008 to February 2010, she was promoted to be our legal manager and was responsible for the overall legal affairs and public relations. In February 2010, she assumed the position of the manager of the newly-established risk control department and she has been in charge of legal affairs, public relations and internal audit of the Group. Ms. Yang obtained a bachelor's degree in law from Sun Yat-Sen University (中山大學) in June 2005.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the Company's prospectus dated 3 December 2010 (the "Prospectus") are set out below:

Name of Director	Details of Changes
Zhang Wenhui	1. Appointed as a director of Biostime Guangzhou (the Company's subsidiary) on 10 December 2010
	2. Appointed as a general manager of the technology center of Biostime Health (the Company's subsidiary) on 10 December 2010
Kong Qingjuan	1. Appointed as a general manager of the operation centre of Biostime Health (the Company's subsidiary) on 10 December 2010
	2. Appointed as a supervisor of Biostime Guangzhou (the Company's subsidiary) on 10 December 2010
	3. Ceased to be a director and the chief operating officer of Biostime Guangzhou (the Company's subsidiary) on 10 December 2010
Ngai Wai Fung	Appointed as an independent non-executive director of China Coal Energy Company Limited on 23 December 2010, a company listed on the Main Board of the Stock Exchange (Stock Code: 1898)

The Board hereby presents its report and the audited financial statements of the Group for the year ended 31 December 2010.

CORPORATE REORGANIZATION AND INITIAL PUBLIC OFFERING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 April 2010. Pursuant to a reorganization to rationalize the structure of the Group in preparation for the public listing of the Company's shares on the Main Board of the Stock Exchange, the Company became the holding company of the companies now comprising the Group. Details of reorganization are set out in the Prospectus.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company of the Group. The Group is principally engaged in providing premium pediatric nutritional and baby care products to high-end mothers. Details of the principal activities of the Company's subsidiaries are set out in note 14 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DISTRIBUTION

The results of the Group for the year ended 31 December 2010 are set out in the consolidated financial statements on pages 47 to 98 of the Annual Report. The Directors recommend the payment of a final dividend of HK$0.20 per ordinary share for the year ended 31 December 2010 to be paid on or about 29 June 2011 to the shareholders whose names appear on the register of members of the Company on 3 June 2011. This recommendation has been incorporated in the financial statements as an allocation of share premium within the equity section of the statement of financial position.

The final dividend of HK$0.20 per ordinary share is subject to approval by the shareholders in the forthcoming AGM of the Company to be held on Thursday, 9 June 2011 (the "2011 AGM"). Such dividend will be distributed from the share premium of the Company. In the opinion of the Directors, such distribution is in compliance with the Articles of Association adopted by the Company on 25 November 2010, which states that dividend may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividend may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law of the Cayman Islands; subject to the provisions of its Memorandum of Association or Articles of Association and provided that immediately following the distribution or paying dividend the Company will be able to pay its debts as they fall due in the ordinary course of business.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 June 2011 to 9 June 2011, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend and entitlement to attend and vote at the 2011 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 3 June 2011.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group and the Company during the year are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Group and the Company during the year are set out in note 24 to the financial statements.

RESERVE

Details of movements in the reserves of the Company and the Group during the year are set out in note 26(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company's reserves, including the share premium account and contributed surplus, available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"), amounted to approximately RMB4,601.4 million, of which approximately RMB101.4 million has been proposed as a final dividend for the year. Under the Companies Law, a company may make distribution to its shareholders out of the share premium account and contributed surplus under certain circumstances.

CHARITABLE DONATIONS

The Group's donations to charity include the donation of RMB0.1 for each box or can of any of the Group's products sold since 2007 as well as donation relating to the Sichuan Earthquake in 2008. For 2008, 2009 and 2010, the Group's donations to charity were RMB0.9 million, RMB0.6 million and RMB1.1 million.

FOUR YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the published audited financial statements, is set out on page 99. This summary does not form part of the audited financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total revenue for the year. None of the Directors or supervisors or their associates or any of the shareholders of the Group had any interest in any of the five largest customers of the Group.

Purchases by the Group from the largest supplier amounted to RMB217.8 million in 2010, accounting for 51.9% of the total purchases of the Group for the year, while the purchases made from the five largest suppliers amounted to RMB316.6 million, accounting for 75.4% of the total purchases of the Group for the year. None of the Directors or supervisors or their associates or any of the shareholders of the Company had any interest in any of the five largest suppliers of the Group.

DIRECTORS

The Directors of the Company during the year and up to the date of the Annual Report were as follows:

Executive Directors

Mr. Luo Fei	*(appointed on 30 April 2010)*
Dr. Zhang Wenhui	*(appointed on 12 May 2010)*
Ms. Kong Qingjuan	*(appointed on 12 May 2010)*

Non-executive Directors

Mr. Wu Xiong	*(appointed on 12 May 2010)*
Mr. Luo Yun	*(appointed on 12 May 2010)*
Mr. Chen Fufang	*(appointed on 12 May 2010)*

Independent Non-executive Directors

Mr. Ngai Wai Fung	*(appointed on 12 July 2010)*
Mr. Tan Wee Seng	*(appointed on 12 July 2010)*
Professor Xiao Baichun	*(appointed on 12 July 2010)*

In accordance with Article 83(3) of the Company's Articles of Association, all of the above Directors shall retire from the office at the 2011 AGM and, being eligible, offer themselves for re-election at the 2011 AGM.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a initial fixed term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party on the other or in accordance with the terms set out in the respective service contracts. Each of the executive Directors is entitled to a director's fee, and is also entitled to a discretionary bonus, provided that the aggregate amount of the bonuses payable to all our executive Directors in respect of any financial year of the Company may not exceed 5% of audited consolidated net profit of (after taxation and minority interests and payment of such bonuses but excluding extraordinary and exceptional items) in respect of that financial year. An executive Director may not vote on any resolution of our Directors regarding the increment of annual salary and the amount of the performance-based bonus payable to him.

Each of the non-executive Directors has entered into a letter of appointment for a term of three years commencing from the Listing Date until terminated by not less than one month's notice in writing served by the non-executive Directors on the Company or in accordance with the provisions set out in the respective letters of appointment. The non-executive Directors are not entitled to any director's fee.

Each of the independent non-executive Directors has entered into a letter of appointment for a term of two years commencing from the Listing Date until terminated by not less than one month's notice in writing served by the independent non-executive Directors on the Company or in accordance with the provisions set out in the respective letters of appointment. Each of the independent non-executive Directors is entitled to a director's fee.

None of the Directors who are proposed for re-election at the 2011 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

REMUNERATION OF THE DIRECTORS

Details of Remuneration of the Directors during the year are set out in note 7 to the financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 28 to 35 of the Annual Report.

EMOLUMENTS POLICY

The Group's emolument policies are formulated on the performance of individual employee and on the basis of the salary trends in Hong Kong and the PRC, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group. The Group has adopted a Pre-IPO Share Option Scheme and a Share Option Scheme for its employees.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent in accordance with Rule 3.13.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2010, the interests and short positions of the Directors and the chief executives of the Company in the share capital, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

Name of Director	Capacity/Nature of interest	Long/Short position	Underlying shares (under equity derivatives of the Company) *(Note)*	Approximate percentage of interest in the Company
Luo Fei	Beneficial owner	Long position	621,239	0.1035%
Zhang Wenhui	Beneficial owner	Long position	404,795	0.0675%
Kong Qingjuan	Beneficial owner	Long position	381,558	0.0636%

Note: These are the share options granted by the Company under the Pre-IPO Share Option Scheme. Details of the Company's Pre-IPO Share Option Scheme are set out below in this report.

Save as disclosed herein, none of the Directors and chief executives of the Company, or any of their spouses, or children under eighteen years of age, had any interests or short positions in the shares, underlying shares and debentures of the Company, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2010.

SHARE OPTION SCHEMES

The Company has adopted two share option schemes, pursuant to which the Company is entitled to grant options prior to and after the listing of the Company on the Main board of the Stock Exchange. The details of both share option schemes are as follows:

Share Option Scheme

A share option scheme (the "Share Option Scheme") was conditionally approved by resolutions of the shareholders of the Company on 25 November 2010 and the terms of such Share Option Scheme are disclosed in the Prospectus. No share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the year and there were no outstanding share options under the Share Option Scheme as at 31 December 2010.

Pre-IPO Share Option Scheme

1. *Summary of terms*

The purpose of the Pre-IPO Share Option Scheme is to give our Directors, senior management, employees and business partners an opportunity to have a personal stake in our Company and help motivate our Directors, senior management, employees and business partners to optimize their performance and efficiency to our Group and/or to reward them for their past contributions, and also to retain or otherwise maintain on-going relationships with them whose contributions are important to the long-term growth and profitability of our Group. The principal terms of the Pre-IPO Share Option Scheme, approved by a written resolution of our sole Shareholder dated 12 July 2010, are substantially the same as the terms of the Share Option Scheme except that:

(a) the subscription price per share for all options granted under the Pre-IPO Share Option Scheme is HK$2.53;

(b) the total number of shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 11,150,249 shares, and no further options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date;

(c) all options granted under the Pre-IPO Share Option Scheme can only be exercised in the following manner:

Period within which option can be exercised	Maximum percentage of entitlement
Any time after the third anniversary of the Listing Date	30% of the total numbers of options granted
Any time after the fourth anniversary of the Listing Date	30% of the total numbers of options granted
Any time after the fifth anniversary of the Listing Date	40% of the total numbers of options granted

(d) there is a 6-year exercise period for each option granted under the Pre-IPO Share Option Scheme.

All the options under the Pre-IPO Share Option Scheme were granted on 16 July 2010 at a consideration of HK$1 paid by each grantee.

SHARE OPTION SCHEMES (Continued)

Pre-IPO Share Option Scheme (Continued)

2. *Outstanding Options Granted*

A total of 11,150,249 shares were granted to 329 participants by the Company on 16 July 2010 under the Pre-IPO Share Option Scheme, including three executive Directors and 14 members of the senior management of the Group. As of 31 December 2010, 18 employees were no longer eligible for options due to failure to meet performance target or retirement, and 237,742 shares of options became invalid in the current year. A movement of valid grantees and options under the Pre-IPO Share Option Scheme during the year by category of grantees is set out below:

	Number of grantees		
Category of grantees	**Granted as at 16 July 2010**	**Ineligible during year 2010**	**Valid as at 31 December 2010**
Executive Directors	3		3
Senior management members	14		14
Other employees	311	(18)	293
Business partner	1		1
	329		311

	Number of shares to be issued upon fully exercise of all options granted under the Pre-IPO Share Option Scheme		
Category of grantees	**Granted as at 16 July 2010**	**Forfeited during year 2010**	**Outstanding as at 31 December 2010**
Executive Directors	1,407,592		1,407,592
Senior management members	2,655,665		2,655,665
Other employees	6,986,992	(237,742)	6,749,250
Business partner	100,000		100,000
	11,150,249		10,912,507

Details of the share options granted to the three executive Directors by the Company under the Pre-IPO Share Option Scheme are set out on page 39 of the Annual Report.

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVES

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company", and "Share Option Schemes", at no time during the year was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18, was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at 31 December 2010, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following person, other than any Director or the chief executive of the Company, was the substantial shareholder (within the meaning of the Listing Rules) of the Company and had the following interests and short positions in the shares and underlying shares of the Company:

Name	**Capacity/Nature of interest**	**Long/Short position**	**Number of Shares**	**Approximate percentage of shareholding** *(Note)*
Biostime Pharmaceuticals (China) Limited *(Note)*	Beneficial owner	Long position	450,000,000	75%

Note: Biostime Pharmaceuticals (China) Limited ("Biostime Pharmaceuticals") is owned as to 28.15% by Mr. Luo Fei, 26.00% by Mr. Wu Xiong, 19.55% by Mr. Luo Yun, 11.90% by Mr. Chen Fufang, 10.00% by Dr. Zhang Wenhui and 4.40% by Ms. Kong Qingjuan.

Save as mentioned above, as at 31 December 2010, there was no other person (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the business of the Group, to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director had a material interest in, whether directly or indirectly, subsisted at the end of the year or at any time during the year. No contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Each of our Directors confirms that he or she does not have any competing business with the Group. The directors' equity interest in Biostime Nutrition has been undertaken to be disposed (For detailed information, please refer to pages 177 to 183 of the Prospectus).

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Members of our Group have entered into certain continuing transactions with a party who is a connected person of our Company. These connected transactions will constitute exempt continuing connected transactions for our Company under Rule 14.A.33(3) of the Listing Rules and accordingly, will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements stipulated under the Listing Rules. Our Directors confirm that these exempt continuing connected transactions are undertaken on an arm's length basis and on normal commercial terms and the percentage ratios (other than the profit ratios) on an annual basis are all less than 0.1% or if more than 0.1% are less than 5.0% and the annual considerations are less than HK$1.0 million. Please refer to pages 187 to 189 of the Prospectus for more details regarding these continuing connected transactions.

AUDIT COMMITTEE

The Company established an Audit Committee pursuant to a resolution of our Directors passed on 25 November 2010 with written terms of reference, in compliance with Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; oversight of internal control procedures of the Company. At present, the Audit Committee of the Company consists of three members who are Mr. Ngai Wai Fung, Mr. Tan Wee Seng and Mr. Luo Yun. Mr. Ngai Wai Fung is the chairman of the Audit Committee. The Company's and the Group's financial statements for the year ended 31 December 2010 have been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct for Directors in their dealings in the Company's securities. Having made specific enquiry to all the Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code during the period from the Listing Date to 31 December 2010.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

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

Except for the global offering, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The shares of the Company were listed on 17 December 2010 on the Main Board of the Stock Exchange. The total net proceeds from the Listing amounted to approximately HK$1,595.6 million (equivalent to approximately RMB1,367.5 million) after consideration of over-allotment, which are intended to be utilized in accordance with the proposed applications set out in the section headed "Use of Proceeds" in the Prospectus.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief at the date of the Annual Report, the Company has maintained sufficient public float as required by the Listing Rules since the listing of the shares of the Company on the Main Board of the Stock Exchange.

EVENTS AFTER THE END OF THE REPORTING PERIOD

The details of events after the end of the reporting period of the Group are set out in note 35 to the financial statements.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 20 to 27 of the Annual Report.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Ernst & Young as auditors of the Company.

On behalf of the Board
Luo Fei
Chairman

Hong Kong, 28 March 2011

ERNST & YOUNG
安永

To the shareholders of Biostime International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Biostime International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 47 to 98, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

28 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
REVENUE	5	**1,233,560**	558,969
Cost of sales		**(356,387)**	(163,016)
Gross profit		**877,173**	395,953
Other income and gains	5	**4,353**	3,061
Selling and distribution costs		**(449,453)**	(248,299)
Administrative expenses		**(87,640)**	(26,462)
Other expenses		**(10,370)**	(6,100)
PROFIT BEFORE TAX	6	**334,063**	118,153
Income tax expense	8	**(68,380)**	(9,836)
PROFIT FOR THE YEAR		**265,683**	108,317
Profit attributable to owners of the parent	9	**265,683**	108,317
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**(8,151)**	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**257,532**	108,314
Total comprehensive income attributable to owners of the parent		**257,532**	108,314
		RMB	RMB
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic		**0.58**	0.24
Diluted		**0.58**	0.24

Details of the dividends paid and proposed for the year are disclosed in note 10 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**31,280**	21,782
Intangible assets	13	**1,168**	1,099
Deposits paid for the purchase of property, plant and equipment		**1,640**	1,278
Deferred tax assets	22	**5,769**	5,596
Total non-current assets		**39,857**	29,755
CURRENT ASSETS			
Inventories	15	**106,098**	80,953
Trade and bills receivables	16	**5,211**	3,653
Prepayments, deposits and other receivables	17	**22,622**	20,915
Due from a director	31(b)	**—**	300
Due from related companies	31(c)	**—**	7,958
Restricted cash	18	**—**	6,090
Cash and cash equivalents	18	**1,728,211**	133,795
Total current assets		**1,862,142**	253,664
CURRENT LIABILITIES			
Trade payables	19	**65,833**	39,657
Other payables and accruals	20	**142,344**	63,550
Interest-bearing bank loan	21	**—**	500
Due to a related company	31(d)	**—**	48
Tax payable		**28,170**	9,107
Total current liabilities		**236,347**	112,862
NET CURRENT ASSETS		**1,625,795**	140,802
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,665,652**	170,557
NON-CURRENT LIABILITIES			
Deferred tax liabilities	22	**5,760**	—
Net assets		**1,659,892**	170,557
EQUITY			
Equity attributable to owners of the parent			
Issued capital	24	**5,141**	—
Reserves	26(a)	**1,553,354**	129,415
Proposed final dividend	10	**101,397**	41,142
Total equity		**1,659,892**	170,557

Luo Fei
Director

Kong Qingjuan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

		Attributable to owners of the parent											
	Notes	Issued capital RMB'000	Share premium account RMB'000	Contributed surplus (i) RMB'000	Capital reserve (ii) RMB'000	Share option reserve RMB'000	Statutory reserve (iii) RMB'000	Exchange fluctuation reserve RMB'000	Retained earnings RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2009		–	–	23,951	–	–	8,131	(11)	56,351	–	88,422	251	88,673
Total comprehensive income for the year		–	–	–	–	–	–	(3)	108,317	–	108,314	–	108,314
Transfer to statutory reserve funds		–	–	–	–	–	6,809	–	(6,809)	–	–	–	–
Contribution from the owner		–	–	1,031	–	–	–	–	–	–	1,031	–	1,031
Acquisition of non-controlling interests		–	–	–	251	–	–	–	–	–	251	(251)	–
Proposed final dividend	10	–	–	–	–	–	–	–	(41,142)	41,142	–	–	–
Dividend declared	10	–	–	–	–	–	–	–	(27,461)	–	(27,461)	–	(27,461)
At 31 December 2009		–	–	24,982*	251*	–	14,940*	(14)*	89,256*	41,142	170,557	–	170,557
At 1 January 2010		–	–	24,982*	251*	–	14,940*	(14)*	89,256*	41,142	–	–	170,557
Total comprehensive income for the year		–	–	–	–	–	–	(8,151)	265,683	–	–	–	257,532
Transfer to statutory reserve funds		–	–	–	–	–	6,237	–	(6,237)	–	–	–	–
Dividend declared	10	–	–	–	–	–	–	–	(104,814)	(41,142)	–	–	(145,956)
Contribution from the owner		–	–	5,797	–	–	–	–	–	–	–	–	5,797
Acquisition of subsidiaries	24	3,856	–	(3,787)	(156)	–	–	–	–	–	–	–	(87)
Issue of shares	24,26	1,285	1,411,676	–	–	–	–	–	–	–	–	–	1,412,961
Shares issue expenses	26	–	(43,561)	–	–	–	–	–	–	–	–	–	(43,561)
Equity-settled share option arrangements	25	–	–	–	–	2,649	–	–	–	–	–	–	2,649
Proposed final 2010 dividend	10	–	(101,397)	–	–	–	–	–	–	101,397	–	–	–
At 31 December 2010		5,141	1,266,718*	26,992*	95*	2,649*	21,177*	(8,165)*	243,888*	101,397	–	–	1,659,892

* These reserve accounts comprise the consolidated reserves of RMB1,553,354,000 (2009: RMB129,415,000) in the consolidated statement of financial position.

Notes:

(i) The contributed surplus of the Group represents the difference between the nominal value of shares of the subsidiaries acquired pursuant to the group reorganisation (the "Reorganisation"), and the nominal value of the Company's shares issued and cash consideration paid in exchange therefor.

(ii) On 6 January 2009, Biostime Pharmaceuticals (China) Limited ("Biostime Pharmaceuticals"), the ultimate holding company of the Group, acquired an additional 1% equity interest in Biostime (Guangzhou) Health Products Limited ("Biostime Health") from Biostime SAS at a consideration of US$21,000 (equivalent to approximately RMB144,000). Following the completion of the acquisition of the additional equity interest in Biostime Health, Biostime Health became a wholly-owned subsidiary of the Group. The capital reserve represents 1% equity in Biostime Health contributed by Biostime Pharmaceuticals.

(iii) In accordance with the Company Law of the People's Republic of China (the ''PRC"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with generally accepted accounting principles in the PRC ("PRC GAAP"), to the statutory reserve until the balance of the reserve fund reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of registered capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Notes	2010 RMB'000	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**334,063**	118,153
Adjustments for:			
Bank interest income	5	**(2,224)**	(765)
Depreciation	6	**6,827**	4,703
Amortisation of intangible assets	6	**235**	92
Loss on disposal of items of property, plant and equipment	6	**88**	—
Write-back of impairment of trade receivables	6	**(62)**	—
Write-down of inventories to net realisable value	6	**369**	743
Equity-settled share option expense	6	**2,649**	—
		341,945	122,926
Increase in inventories		**(25,514)**	(37,423)
(Increase)/decrease in trade and bills receivables		**(1,496)**	1,935
(Increase)/decrease in prepayments, deposits and other receivables		**(1,707)**	(6,520)
Decrease in an amount due from a director		**300**	84
Decrease in amounts due from related companies		**7,958**	13,834
Increase in trade payables		**26,176**	21,428
Increase in other payables and accruals		**77,128**	20,108
Decrease in an amount due to a related company		**(48)**	(17,265)
Cash generated from operations		**424,742**	119,107
Corporate income tax paid		**(43,730)**	(9,309)
Net cash flows from operating activities		**381,012**	109,798
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(17,375)**	(5,504)
Proceeds from disposal of items of property, plant and equipment		**59**	27
Additions to intangible assets	13	**(304)**	(265)
Interest received	5	**2,224**	765
(Increase)/decrease in restricted cash		**6,090**	(4,858)
Acquisition of a subsidiary		**(87)**	—
Net cash flows used in investing activities		**(9,393)**	(9,835)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**1,412,961**	—
Share issue expenses		**(41,354)**	—
A new bank loan		**—**	500
Repayment of a bank loan		**(500)**	—
Contributions from the ultimate holding company		**5,797**	1,031
Dividends paid to the ultimate holding company		**(145,956)**	(27,461)
Net cash flows from/(used in) financing activities		**1,230,948**	(25,930)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,602,567**	74,033
Cash and cash equivalents at beginning of year		**133,795**	59,765
Effect of foreign exchange rate changes, net		**(8,151)**	(3)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,728,211**	133,795

STATEMENT OF FINANCIAL POSITION

31 December 2010

	Notes	2010 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	12	**82**
Investments in subsidiaries	14	**3,266,503**
Total non-current assets		**3,266,585**
CURRENT ASSETS		
Due from a subsidiary	14	**180**
Prepayments, deposits and other receivables	17	**723**
Cash and cash equivalents	18	**1,369,430**
Total current assets		**1,370,333**
CURRENT LIABILITIES		
Due to a subsidiary	14	**26,132**
Other payables and accruals	20	**9,579**
Total current liabilities		**35,711**
NET CURRENT ASSETS		**1,334,622**
Net assets		**4,601,207**
EQUITY		
Issued capital	24	**5,141**
Reserves	26(b)	**4,494,669**
Proposed final dividend	10	**101,397**
Total equity		**4,601,207**

Luo Fei
Director

Kong Qingjuan
Director

1. CORPORATE INFORMATION AND THE REORGANISATION

The Company 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 of the Company, the holding company and the ultimate holding company of the Company is Biostime Pharmaceuticals, a limited liability company incorporated in the British Virgin Islands (the "BVI").

In order to rationalise the corporate structure in preparation for the listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company and its subsidiaries underwent a corporate Reorganisation as set out in the prospectus dated 3 December 2010 (the "Prospectus"). Pursuant to the Reorganisation, the Company became the immediate holding company of the subsidiaries now comprising the Group on 16 November 2010. The Company's shares were listed on the Stock Exchange on 17 December 2010.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which include International Accounting Standards ("IASs") and Interpretations promulgated by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The acquisitions of the subsidiaries pursuant to the Reorganisation were regarded as a business combination under common control. Accordingly, the consolidated financial statements have been prepared in accordance with the principles of merger accounting. On this basis, the Company has been treated as the holding company of its subsidiaries since the beginning of the financial periods presented rather than from their respective dates of acquisition. Accordingly, the consolidated results for the year ended 31 December 2010 include the results of the Company and its subsidiaries with effect from 1 January 2010 or since their respective dates of incorporation or establishment, whichever is shorter. The comparative consolidated statement of financial position as at 31 December 2009 has been prepared as if the Group had been in place at that date.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs, which are effective for annual periods beginning on or after 1 January 2010, for the first time for the current year's financial statements:

IFRS 1 (Revised)	*First-time Adoption of International Financial Reporting Standards*
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting — Additional Exemptions for First-time Adopters*
IFRS 2 Amendments	Amendments to IFRS 2 *Share-base Payment — Group Cash-settled Share-based Payment Transactions*
IFRS 3 (Revised)	*Business Combinations*
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*
IAS 39 Amendment	Amendment to IAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
IFRIC 17	*Distributions of Non-cash Assets to Owners*
IFRS 5 Amendments included in *Improvements to IFRSs* issued in May 2008	Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary*
Improvements to IFRSs 2009	Amendments to a number of IFRSs issued in April 2009

The adoption of the new and revised IFRSs has had no significant effect on the financial statements of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements:

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*[2]
IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[4]
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[4]
IFRS 9	*Financial Instruments*[6]
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*[5]
IAS 24 (Revised)	*Related Party Disclosures*[3]
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*[1]
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*[3]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*[2]

Apart from the above, the IASB has issued *Improvements to IFRSs 2010* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRIC 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

[1] Effective for annual periods beginning on or after 1 February 2010
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2013

IFRS 7 was amended as part of *Improvements to IFRSs 2010* in order to clarify the existing disclosure requirements. The effect of the amendment is to encourage qualitative disclosures in the context of the quantitative disclosure required to help users of financial statements to form an overall picture of the nature and extent of risks arising from financial instruments. This amendment also clarifies the required level of disclosure around credit risk and collateral held and provides relief from disclosure of renegotiated loans.

The IASB introduced enhanced disclosure requirements to IFRS 7 *Financial Instruments* as part of its comprehensive review of off-balance sheet activities. The amendments are designed to ensure that users of financial statements are able to more readily understand transactions involving the transfer of financial assets (for example, securitisations), including the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

IFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace IAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of IAS 39.

In October 2010, the IASB issued additions to IFRS 9 to address financial liabilities (the "Additions") and incorporated in IFRS 9 the current derecognition principles of financial instruments of IAS 39. Most of the Additions were carried forward unchanged from IAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

IAS 39 is aimed to be replaced by IFRS 9 in its entirety. Before this entire replacement, the guidance in IAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt IFRS 9 from 1 January 2013.

The revised IAS 24 clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The revision is unlikely to have any financial impact on the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs (Continued)

The IAS 32 Amendment revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The Group expects to adopt the IAS 32 Amendment from 1 January 2011. As the Group currently has no such rights, options or warrants in issue, the amendment is unlikely to have any financial impact on the Group.

The IFRIC 14 Amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in future contributions is thus equal to the sum of (i) the prepayment for future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. As the Group has no defined benefit scheme, the amendments will not have any financial impact on the Group.

IFRIC 19 addresses the accounting by an entity when the terms of financial liability are renegotiated and resulted in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The Group expects to adopt the interpretation from 1 January 2011. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. As the Group has not undertaken such transactions, the interpretation is unlikely to have any material financial impact on the Group.

Improvements to IFRSs 2010 issued in May 2010 sets out amendments to a number of IFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of comprehensive income in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Plant and machinery	9% to 18%
Furniture, fixtures and office equipment	18%
Motor vehicles	18%
Leasehold improvements	Over the shorter of the lease terms and 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents leasehold improvements under construction. It is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

Computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of five years.

Research and development costs

All research costs are charged to the statements of comprehensive income as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of comprehensive income on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include trade and bills receivables, other receivables and deposits, an amount due from a director, amounts due from related companies, restricted cash and cash and cash equivalents, which are classified as loans and receivables.

Subsequent measurement

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in interest income in the statement of comprehensive income. The loss arising from impairment is recognised in other operating expenses in the statement of comprehensive income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the statement of comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an interest-bearing bank loan and an amount due to a related company.

Subsequent measurement

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of comprehensive income.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of comprehensive income.

Customer loyalty program

The Group operates a customer loyalty program which allows customers to earn points when they purchase products of the Group. The points can then be redeemed for free services or products, subject to a minimum number of points being obtained. The consideration received or receivable from the products sold is allocated between the points earned by the customer loyalty program members and the other components of the sales transactions. The amount allocated to the points earned by the customer loyalty program members is deferred until the points are redeemed when the Group fulfils its obligations to supply services or products or when the points are expired.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(c) dividend income, when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions

The Company operates two share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants on 16 July 2010 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 25 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The Company grants the share options to its subsidiaries' employees to exchange for their services provided to the subsidiaries. Accordingly, in the Company's statement of financial position, the equity-settled share option expense, which is recognised in the consolidated financial statements, is treated as part of the "investments in subsidiaries".

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits

Pension schemes

The Group contributes on a monthly basis to various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within the equity section of statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The functional currency of the Company is the Hong Kong dollar ("HK$") while the presentation currency of the Company for the financial statements is the RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of the overseas subsidiary is a currency other than the RMB. As at the end of the reporting period, the assets and liabilities of the entity are translated into the presentation currency of the Company at the exchange rate ruling at the end of the reporting period and its statement of comprehensive income is translated into RMB at the weighted average exchange rate for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of comprehensive income.

For the purpose of the statement of cash flows, the cash flows of overseas subsidiary are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiary which arise throughout the year are translated into RMB at the weighted average exchange rate for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in this report:

Tax provisions

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is assessed periodically to take into account all the changes in the tax legislations and practices.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

Deferred tax liabilities

Deferred income tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of the subsidiaries in the PRC to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future.

If those undistributed earnings of the subsidiaries in the PRC are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred income tax liability would have been increased by the same amount of approximately RMB23,039,000.

Estimation uncertainties

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

Provision for obsolete inventories

Management reviews the ageing analysis of inventories of the Group at each reporting date, and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale or that will be sold below cost. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. As at 31 December 2010, the carrying amounts of inventories were approximately RMB106,098,000 (2009: RMB80,953,000) after netting off the allowance for inventories of approximately RMB805,000 (2009: RMB743,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainties (Continued)

Deferred income

The amount of revenue attributable to the points earned by the members of the Group's customer loyalty program is estimated based on the fair value of the points awarded and the expected redemption rate. The expected redemption rate is estimated considering the number of the points that will be available for redemption in the future after allowing for points which are not expected to be redeemed.

4. OPERATING SEGMENT INFORMATION

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

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

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

(c) Dried baby food products segment comprises the production of dried baby food products made from natural foods, such as meat, seafood, fruit and vegetables, for infants and young children; and

(d) 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 as well as head office and corporate expenses are excluded from such measurement.

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

During the years ended 31 December 2010 and 2009, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2010	Probiotic supplements RMB'000	Infant formulas RMB'000	Dried baby food products RMB'000	Baby care products RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue:						
Sales to external customers	303,749	793,565	97,779	38,467	–	1,233,560
Segment results	248,724	542,598	64,448	21,403	–	877,173
Reconciliation:						
Interest income						2,224
Other income and unallocated gains						2,129
Corporate and other unallocated expenses						(547,463)
Profit before tax						334,063
Other segment information:						
Depreciation and amortisation	1,279	163	350	13	5,257	7,062
Write-back of impairment of trade receivables	(62)	–	–	–	–	(62)
Write-down of inventories to net realisable value	–	–	369	–	–	369
Capital expenditure*	331	428	106	99	15,812	16,776

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2009	Probiotic supplements RMB'000	Infant formulas RMB'000	Dried baby food products RMB'000	Baby care products RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue:						
Sales to external customers	265,886	238,108	54,975	—	—	558,969
Segment results	203,311	160,272	32,370	—	—	395,953
Reconciliation:						
Interest income						765
Other income and unallocated gains						2,296
Corporate and other unallocated expenses						(280,861)
Profit before tax						118,153
Other segment information:						
Depreciation and amortisation	1,754	89	1,289	—	1,663	4,795
Write-down of inventories to net realisable value	34	—	709	—	—	743
Capital expenditure*	420	194	66	—	3,984	4,664

* 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 year.

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

	2010 RMB'000	2009 RMB'000
Revenue		
Sale of goods	**1,233,560**	558,969
Other income and gains		
Bank interest income	**2,224**	765
Others	**2,129**	2,296
	4,353	3,061

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2010 RMB'000	2009 RMB'000
Cost of inventories sold		**356,018**	162,273
Depreciation	12	**6,827**	4,703
Amortisation of intangible assets	13	**235**	92
Research and development costs*		**5,927**	4,285
Loss on disposal of items of property, plant and equipment		**88**	—
Minimum lease payments under operating leases in respect of buildings		**6,791**	7,348
Auditors' remuneration		**1,270**	40
Employee benefit expenses (including directors' remuneration (note 7(a)):			
Wages and salaries		**130,925**	66,683
Pension scheme contributions (defined contribution schemes)		**16,916**	8,288
Staff welfare and other expenses		**6,287**	2,715
Equity-settled share option expense	25	**2,649**	—
		156,777	77,686
Write-back of impairment of trade receivables*	16	**(62)**	—
Write-down of inventories to net realisable value#		**369**	743

* Included in "Other expenses" in the consolidated statement of comprehensive income.
\# Included in "Cost of sales" in the consolidated statement of comprehensive income.

7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' remuneration

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2010 RMB'000	2009 RMB'000
Fees	**30**	—
Other emoluments:		
Salaries, allowances and benefits in kind	**2,400**	816
Performance related bonuses	**5,641**	3,112
Equity-settled share option expense	**342**	—
Pension scheme contributions	**93**	95
	8,476	4,023
	8,506	4,023

7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(a) Directors' remuneration (Continued)

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 25 to the financial statements. The fair value of such options which has been recognised in the consolidated statement of comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2010 RMB'000	2009 RMB'000
Mr. Ngai Wai Fung	10	—
Mr. Tan Wee Seng	10	—
Professor Xiao Baichun	10	—
	30	—

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(a) Directors' remuneration (Continued)

Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2010						
Executive directors:						
Mr. Luo Fei	–	1,393	2,865	151	42	4,451
Dr. Zhang Wenhui	–	568	1,601	98	9	2,276
Mr. Kong Qingjuan	–	439	1,175	93	42	1,749
	–	2,400	5,641	342	93	8,476
Non-executive directors:						
Mr. Luo Yun	–	–	–	–	–	–
Mr. Wu Xiong	–	–	–	–	–	–
Mr. Chen Fufang	–	–	–	–	–	–
	–	–	–	–	–	–
	–	2,400	5,641	342	93	8,476

7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(a) Directors' remuneration (Continued)

Executive directors and non-executive directors (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2009						
Executive directors:						
Mr. Luo Fei	—	336	1,153	—	39	1,528
Dr. Zhang Wenhui	—	169	811	—	—	980
Mr. Kong Qingjuan	—	169	774	—	40	983
	—	674	2,738	—	79	3,491
Non-executive directors:						
Mr. Luo Yun	—	142	374	—	16	532
Mr. Wu Xiong	—	—	—	—	—	—
Mr. Chen Fufang	—	—	—	—	—	—
	—	142	374	—	16	532
	—	816	3,112	—	95	4,023

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

7. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(b) Five highest paid employees

The five highest paid employees during the year included three (2009: two) directors, details of whose remuneration are set out in note 7(a) above. Details of the remuneration of the remaining two (2009: three) non-director, highest paid employees for the year are as follows:

	2010 RMB'000	2009 RMB'000
Salaries, allowances and benefits in kind	785	421
Performance related bonuses	2,519	2,076
Equity-settled share option expense	166	—
Pension scheme contributions	83	106
	3,553	2,603

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	2010	2009
Nil to RMB1,000,000	—	3
RMB1,000,001 to RMB2,000,000	1	—
RMB2,000,001 to RMB3,000,000	1	—
	2	3

During the year, share options were granted to non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 25 to the financial statements. The fair value of such options, which has been recognised in the consolidated statement of comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

8. INCOME TAX

	2010 RMB'000	2009 RMB'000
Group:		
Current — PRC		
Charge for the year	**62,793**	10,996
Deferred (note 22)	**5,587**	(1,160)
Total tax charge for the year	**68,380**	9,836

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

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2009: Nil).

PRC enterprise income tax ("EIT")

Pursuant to the PRC Enterprise Income Tax Law and the respective regulations, except for the preferential tax treatment available to Biostime Health, the subsidiaries of the Group which operate in Mainland China are subject to EIT at a rate of 25% on their respective taxable income for the years ended 31 December 2010 and 2009.

Biostime Health is a foreign invested enterprise ("FIE") which engages in manufacturing and was exempted from EIT for two years commencing from its first year with assessable profits after deducting tax losses brought forward, and is entitled to a 50% tax reduction for the subsequent three years (the "FIE Tax Holiday"). Biostime Health's first profit-making year was the year ended 31 December 2008 which was also the first year of its FIE Tax Holiday. Accordingly, it was exempted from EIT for the two years ended 31 December 2008 and 2009 and is subject to EIT at reduced rates of 11% for the year ended 31 December 2010 and 12% and 12.5% for the years ending 31 December 2011 and 2012, respectively.

8. INCOME TAX (Continued)

France corporate income tax

No provision for Franch corporate income tax has been made as the Group did not generate any assessable profits arising in France during the year (2009: Nil).

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the majority of the subsidiaries of the Company is domiciled to the tax expense at the effective tax rate is as follows:

	2010 **RMB'000**	2009 RMB'000
Group:		
Profit before tax	**334,063**	118,153
Tax at the applicable PRC enterprise income tax rate	**83,516**	29,538
Effect of tax concession for Biostime Health	**(27,725)**	(23,291)
Expenses not deductible for tax	**37**	3,463
Effect of a lower enacted tax rate used for the recognition of deferred tax	**4**	92
Tax losses not recognised	**6,788**	34
Effect of withholding tax on the distributable earnings of the Group's PRC subsidiaries	**5,760**	—
Tax charge at the Group's effective rate	**68,380**	9,836

9. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a loss of RMB27,018,000 (2009: Nil) which has been dealt with in the financial statements of the Company (note 26(b)).

10. DIVIDENDS

	2010 **RMB'000**	2009 RMB'000
Proposed final — HK$0.20 (2009: Nil) per ordinary share	**101,397**	—

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The dividends paid by the Company's subsidiaries to its then shareholder before the listing of the Company were as follows:

	2010 **RMB'000**	2009 RMB'000
Dividends declared	**104,814**	27,461
Proposed final dividend	**—**	41,142

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 456,164,384 (2009: 450,000,000) in issue during the year as if the Reorganisation had been effective since 1 January 2009.

The calculations of basic and diluted earnings per share are based on:

	2010 RMB'000	2009 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	265,683	108,317

	Number of Shares 2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	456,164,384	450,000,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	327,500	—
Over-allotment options	924,657	—
	457,416,541	450,000,000

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2009 includes the pro forma issued share capital of the Company of 450,000,000 shares, which comprised the following:

(i) 1 share issued to Biostime Pharmaceuticals (note 24(a)); and

(ii) 449,999,999 shares issued to Biostime Pharmaceuticals as result of Reorganisation (note 24(c)).

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2010 includes the weighted average of 150,000,000 shares issued upon the listing of the Company's shares on the Stock Exchange on 17 December 2010 (the "Listing Date"), namely 6,164,384 shares and the above-mentioned 450,000,000 ordinary shares.

The calculation of the diluted earnings per share amount for the year ended 31 December 2010 is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, 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.

No adjustment had been made to the basic earnings per share amounts presented for the year ended 31 December 2009 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during that year.

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2010	**9,776**	**7,142**	**6,665**	**7,818**	**—**	**31,401**
Additions	**835**	**8,848**	**6,707**	**—**	**82**	**16,472**
Disposals	**(9)**	**(488)**	**(4)**	**—**	**—**	**(501)**
At 31 December 2010	**10,602**	**15,502**	**13,368**	**7,818**	**82**	**47,372**
Accumulated depreciation:						
At 1 January 2010	**2,193**	**2,736**	**2,714**	**1,976**	**—**	**9,619**
Depreciation provided during the year	**1,360**	**2,526**	**1,382**	**1,559**	**—**	**6,827**
Disposals	**(4)**	**(347)**	**(3)**	**—**	**—**	**(354)**
At 31 December 2010	**3,549**	**4,915**	**4,093**	**3,535**	**—**	**16,092**
Net carrying amount:						
At 31 December 2010	**7,053**	**10,587**	**9,275**	**4,283**	**82**	**31,280**
Cost:						
At 1 January 2009	9,273	5,422	4,547	7,818	—	27,060
Additions	503	1,775	2,121	—	—	4,399
Disposals	—	(55)	(3)	—	—	(58)
At 31 December 2009	9,776	7,142	6,665	7,818	—	31,401
Accumulated depreciation:						
At 1 January 2009	992	1,669	1,870	416	—	4,947
Depreciation provided during the year	1,201	1,097	845	1,560	—	4,703
Disposals	—	(30)	(1)	—	—	(31)
At 31 December 2009	2,193	2,736	2,714	1,976	—	9,619
Net carrying amount:						
At 31 December 2009	7,583	4,406	3,951	5,842	—	21,782

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Construction in progress RMB'000
Cost:	
At 1 January 2010	—
Additions	82
At 31 December 2010	82
Accumulated depreciation:	
At 1 January 2010	—
Depreciation provided during the year	—
At 31 December 2010	—
Net book value:	
At 31 December 2010	82
At 31 December 2009	—

13. INTANGIBLE ASSETS

Group

Computer software	2010 RMB'000	2009 RMB'000
Cost:		
At 1 January	1,365	1,100
Additions	304	265
At 31 December	1,669	1,365
Accumulated amortisation:		
At 1 January	266	174
Amortisation provided during the year	235	92
At 31 December	501	266
Net carrying amount:		
At 31 December	1,168	1,099

14. INVESTMENTS IN SUBSIDIARIES

Company

	2010 RMB'000	2009 RMB'000
Unlisted investments, at cost	**3,264,213**	—
Capital contribution in respect of employee share-based compensation	**2,290**	—
	3,266,503	—

The amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB180,000 (2009: Nil) and RMB26,132,000 (2009: Nil), respectively, are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Name	Place and date of incorporation/ registration	Nominal value of issued ordinary/ registered share capital	Percentage of equity directly attributable to the Company	Principal activities
BiosTime, Inc. (Guangzhou) ("Biostime Guangzhou")	PRC 3 August 1999	US$1,010,000	100%	Research, development, processing of meat, fruit and vegetable powder and candy, sale of nutritional food, milk formulas and personal care products for infants
Biostime (Guangzhou) Health Products Limited ("Biostime Health")	PRC 25 December 2006	US$2,100,000	100%	Research, development, manufacture and sale of health products
BMcare Baby Products Inc. (Guangzhou) ("BMcare Guangzhou")	PRC 17 September 2009	US$1,000,000	100%	Wholesale, retail and import and export of personal care products for infants
Biostime Pharma	France 24 July 2008	EUR10,000	100%	Trading of infant food and nutritional products

Except for Biostime Pharma which was incorporated under the laws of France with limited liability, all the above PRC companies are wholly-foreign-owned enterprises under PRC law.

15. INVENTORIES

Group

	2010 RMB'000	2009 RMB'000
Raw materials	**82,250**	64,837
Work in progress	**6,483**	4,025
Finished goods	**17,365**	12,091
	106,098	80,953

16. TRADE AND BILLS RECEIVABLES

Group

	2010 RMB'000	2009 RMB'000
Trade receivables	**549**	1,095
Bills receivable	**4,662**	2,620
Less: Impairment provision	**—**	(62)
	5,211	3,653

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. The carrying amounts of trade and bills receivables approximate to their fair values.

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 as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

Group

	2010 RMB'000	2009 RMB'000
Within 1 month	**1,075**	2,077
2 to 3 months	**2,503**	1,382
Over 3 months	**1,633**	194
	5,211	3,653

The above aged analysis included bills receivable balance of RMB4,662,000 (2009: RMB2,620,000).

16. TRADE AND BILLS RECEIVABLES (Continued)

The movements in the provision for impairment of trade receivables are as follows:

Group

	2010 RMB'000	2009 RMB'000
At 1 January	62	62
Impairment losses reversed (note 6)	(62)	—
At 31 December	—	62

The above provision of RMB62,000 as at 31 December 2009 was for individually impaired trade receivables, which had been subsequently settled in the current year.

The aged analysis of trade and bills receivables of the Group that are neither individually nor collectively considered to be impaired is as follows:

Group

	2010 RMB'000	2009 RMB'000
Neither past due nor impaired	5,114	3,638
Past due but not impaired		
Less than 3 months past due	91	14
Over 3 months past due	6	1
	5,211	3,653

Receivables that were neither past due nor impaired relate to recognised and creditworthy customers for whom there was no recent history of default. These customers who trade on credit terms are subject to credit verification procedures.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments	9,547	12,922	—	—
Deposits	1,716	1,687	38	—
Other receivables	11,359	6,306	685	—
	22,622	20,915	723	—

None of the above assets is either pass due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

18. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	1,728,211	139,885	1,369,430	—
Less: Restricted cash: Guarantee deposits for issuance of letters of credit	—	(6,090)	—	—
Cash and cash equivalents	1,728,211	133,795	1,369,430	—
Denominated in RMB (note)	697,931	138,669	339,415	—
Denominated in other currencies	1,030,280	1,216	1,030,015	—
	1,728,211	139,885	1,369,430	—

As at 31 December 2010, cash and bank balances denominated in RMB of the subsidiaries in Mainland China amounted to RMB358,516,000 (2009: RMB138,669,000). The RMB of the subsidiaries in Mainland China is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

19. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

Group

	2010 RMB'000	2009 RMB'000
Within 1 month	**40,090**	25,968
2 to 3 months	**23,165**	13,122
Over 3 months	**2,578**	567
	65,833	39,657

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

20. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Advances from customers	**9,017**	16,114	**—**	—
Salaries and welfare payables	**14,452**	12,129	**—**	—
Accruals	**47,102**	10,090	**9,340**	—
Other tax payables	**58,067**	7,155	**—**	—
Deferred income (note 23)	**6,603**	12,915	**—**	—
Other payables	**7,103**	5,147	**239**	—
	142,344	63,550	**9,579**	—

The above balances are non-interest-bearing and have no fixed terms of repayment.

21. INTEREST-BEARING BANK LOAN

The bank loan as at 31 December 2009 was unsecured and bore interest at the rate of 5.1% per annum and was subsequently repaid in January 2010.

22. DEFERRED TAX

The following are the major deferred tax assets/(liability) recognised and their movements during the year:

Group

	Provision for impairment of assets RMB'000	Future deductible expense RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Withholding taxes on distributable earnings of subsidiaries in the PRC RMB'000	Accrued liabilities and deferred income RMB'000	Total RMB'000
At 1 January 2010	**94**	**460**	**1,186**	**—**	**3,856**	**5,596**
Credited/(charged) to the consolidated statement of comprehensive income for the year (note 8)	**11**	**(84)**	**252**	**(5,760)**	**(6)**	**(5,587)**
At 31 December 2010	**105**	**376**	**1,438**	**(5,760)**	**3,850**	**9**
At 1 January 2009	—	2,662	208	—	1,566	4,436
Credited/(charged) to the consolidated statement of comprehensive income for the year (note 8)	94	(2,202)	978	—	2,290	1,160
At 31 December 2009	94	460	1,186	—	3,856	5,596

	2010 RMB'000	2009 RMB'000
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December	**5,769**	5,596
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December	**(5,760)**	—
	9	5,596

Pursuant to the Enterprise Income Tax Law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefor liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2010, the Group has not recognised deferred tax liabilities of RMB23,039,000 (2009: Nil) in respect of temporary differences relating to the unremitted earnings of subsidiaries, amounting to RMB230,385,000 (2009: Nil), that would be payable on the distribution of these retained earnings as the Company controls the dividend policy of these subsidiaries and it is probable that these earnings will not be distributed in the foreseeable future.

23. DEFERRED INCOME

Group

	2010 RMB'000	2009 RMB'000
Customer loyalty program		
At 1 January	12,915	4,198
Addition	6,603	12,255
Recognised as sales revenue during the year	(12,915)	(3,538)
At 31 December	6,603	12,915

24. SHARE CAPITAL

Shares

	2010	2009
Authorised:		
10,000,000,000 (2009: Nil) ordinary shares of HK$0.01 each	HK$100,000,000	—
Issued and fully paid:		
600,000,000 (2009: Nil) ordinary shares of HK$0.01 each	HK$6,000,000	—
Equivalent to	RMB5,141,000	—

During the year, the movements in share capital were as follows:

	Notes	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Nominal value of ordinary shares RMB'000
Authorised:				
On 30 April 2010 (date of incorporation)	(a)	38,000,000	380	334
Increase of authorised capital	(b)	9,962,000,000	99,620	86,820
As at 31 December 2010		10,000,000,000	100,000	87,154
Issued:				
On 30 April 2010 (date of incorporation)	(a)	1	—	—
Issuance of new shares for Reorganisation	(c)	449,999,999	4,500	3,856
Issuance of new shares for the initial public offering	(d)	150,000,000	1,500	1,285
As at 31 December 2010		600,000,000	6,000	5,141

24. SHARE CAPITAL (Continued)

Shares (Continued)

Notes:

(a) On 30 April 2010, the Company was incorporated with authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On 30 April 2010, one nil paid share of HK$0.01 was allotted and issued to the initial subscriber. The share was then transferred to Biostime Pharmaceuticals on the same date.

(b) On 12 July 2010, the authorised share capital of the Company was increased to HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each by the creation of 9,962,000,000 shares of HK$0.01 each.

(c) On 16 November 2010, as consideration for the acquisition from Biostime Pharmaceuticals the entire equity interest in each of Biostime Guangzhou, Biostime Health and BMcare Guangzhou, 449,999,999 shares of HK$0.01 were allotted and issued to Biostime Pharmaceuticals, credited as fully paid. After such allotment and issue, Biostime Pharmaceuticals held 450,000,000 shares (which constituted the then entire issued share capital of the Company) in the Company.

(d) In connection with the Company's initial public offering, 150,000,000 shares of HK$0.01 each were issued at a price of HK$11.00 per share for a total cash consideration, before listing expenses, of HK$1,650,000,000 (equivalent to RMB1,412,961,000). Dealings in these shares on the Stock Exchange commenced on 17 December 2010.

25. SHARE OPTION SCHEME

On 12 July 2010, the Company adopted a pre-initial public offering share option scheme (the "Pre-IPO Share Option Scheme"), and on 25 November 2010, the Company adopted a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to and will contribute to the success of the Group.

Pre-IPO Share Option Scheme

The purpose of the Pre-IPO Share Option Scheme is to give the directors, senior management, employees and business partners an opportunity to have a personal stake in the Company and help motivate the directors, senior management, employees and business partners to optimise their performance and efficiency and/or to reward them for their past contributions, and also to retain or otherwise maintain ongoing relationships with them whose contributions are important to the long-term growth and profitability of the Group. The principal terms of the Pre-IPO Share Option Scheme, approved by a written resolution of the sole shareholder dated 12 July 2010, are substantially the same as the terms of the Share Option Scheme except that:

(a) the subscription price per share for all options granted under the Pre-IPO Share Option Scheme is HK$2.53;

(b) the total number of shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 11,150,249 shares, and no further options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date;

25. SHARE OPTION SCHEME (Continued)

Pre-IPO Share Option Scheme (Continued)

(c) all options granted under the Pre-IPO Share Option Scheme can only be exercised in the following manner:

Period within which option can be exercised	Maximum percentage of entitlement
Any time after the third anniversary of the Listing Date	30% of the total number of options granted
Any time after the fourth anniversary of the Listing Date	30% of the total number of options granted
Any time after the fifth anniversary of the Listing Date	40% of the total number of options granted

(d) there is a 6-year exercise period for each option granted under the Pre-IPO Share Option Scheme.

All the options under the Pre-IPO Share Option Scheme were granted on 16 July 2010 at a consideration of HK$1 paid by each grantee.

The options under the Pre-IPO Share Option Scheme do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The fair value of the options under the Pre-IPO Share Option Scheme granted was estimated at approximately RMB25,068,000 of which the Group recognised a share option expense of RMB2,649,000 during the year ended 31 December 2010.

The fair value of the options under the Pre-IPO Share Option Scheme granted was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	First batch	Second batch	Third batch
Dividend yield (%)	0.00	0.00	0.00
Expected volatility (%)	57.06	57.06	57.06
Risk-free interest rate (%)	1.77	1.77	1.77
Expected life of options (years)	4.81	5.31	5.81

At as 31 December 2010, the Company had 10,912,507 options outstanding under the Pre-IPO Share Option Scheme with 237,742 share options forfeited during the year. The exercise in full of the outstanding options under the Pre-IPO Share Option Scheme would, under the present capital structure of the Company, result in the issue of 10,912,507 additional ordinary shares of the Company and additional share capital of HK$109,000 (RMB93,000) and share premium of HK$27,500,000 (RMB23,400,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 10,837,832 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 1.8% of the Company's shares in issue as at that date.

25. SHARE OPTION SCHEME (Continued)

Share Option Scheme

Eligible participants of the Share Option Scheme ("Eligible Persons") include (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group ("Executive"), any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group ("Employee"); (b) a director or proposed director (including an independent non-executive director) of any member of the Group; (c) a direct or indirect shareholder of any member of the Group; (d) a supplier of goods or services to any member of the Group; (e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and (g) an associate of any of the persons referred to in paragraphs (a) to (e) above.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on 25 November 2010 (the "Adoption Date"). An offer of the grant of an option shall remain open for acceptance by the Eligible Person concerned for a period of 10 days from the offer date (the "Offer Date") provided that no such grant of an option may be accepted after the expiry of the effective period of the Share Option Scheme. An option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the option duly signed by the grantee together with a remittance in favour of the Company of HK$1 by way of consideration for the grant thereof is received by the Company on or before the date upon which an offer of an option must be accepted by the relevant Eligible Person, being a date not later than 10 days after the Offer Date. Such remittance shall in no circumstances be refundable.

As at 31 December 2010, no share options have been granted under the Share Option Scheme since its adoption.

26. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for current and prior years are presented in the consolidated statement of changes in equity on page 49 of the financial statements.

26. RESERVES (Continued)

(b) Company

	Share premium account RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
On 30 April 2010 (date of incorporation)	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(7,950)	(27,018)	(34,968)
Issue of shares	1,411,676	–	–	–	–	1,411,676
Share issue expenses	(43,561)	–	–	–	–	(43,561)
Equity-settled share option arrangements (i)	–	–	2,649	–	–	2,649
Acquisition of subsidiaries (ii)	–	3,260,270	–	–	–	3,260,270
Proposed final 2010 dividend (iii)	(101,397)	–	–	–	–	(101,397)
At 31 December 2010	1,266,718	3,260,270	2,649	(7,950)	(27,018)	4,494,669

Notes:

(i) The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained earnings should the related options expire or be forfeited.

(ii) The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired as disclosed in note 24(c), over the nominal value of the Company's shares issued in exchange therefor.

(iii) Under the Companies Law (2001 Second Revision) of the Cayman Islands, the share premium account and contributed surplus are distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

27. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

As disclosed in note 24(c), the Company allotted and issued 449,999,999 shares of HK$0.01 to Biostime Pharmaceuticals as consideration for the acquisition of the entire equity interest in each of Biostime Guangzhou, Biostime Health and BMcare Guangzhou, credited as fully paid, during the year ended 31 December 2010.

28. CONTINGENT LIABILITIES

At the end of the reporting date, neither the Group nor the Company had any significant contingent liabilities.

29. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its production plants, warehouses and vehicles under operating lease arrangements. Leases are negotiated for terms ranging from 1 to 10 years.

As at 31 December 2010 and 2009, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within one year	**9,290**	5,523	**122**	—
In the second to fifth years, inclusive	**10,460**	9,195	**608**	—
After five years	**4,868**	7,130	**—**	—
	24,618	21,848	**730**	—

30. COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group had the following capital commitments at the end of the reporting period:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Contracted, but not provided for:				
Intangible assets	**774**	520	**—**	—

31. RELATED PARTY BALANCES AND TRANSACTIONS

The Group had the following material transactions with related parties during the year and balances arising from those related party transactions at the end of the reporting period:

(a) Related party transactions

	Notes	2010 RMB'000	2009 RMB'000
Purchases from a company under common control of directors	(i)	**23**	469
Sales of finished goods to a distributor which is controlled by a brother of a director	(ii)	**2,836**	4,637
An indirect jointly-controlled entity of the ultimate holding company:			
— Loans granted	(iii)	**7,350**	—
— Sales of finished goods	(iv)	**631**	—
— Sales of raw materials	(v)	**1,031**	—
— Sales of fixed assets	(vi)	**53**	—
— Rental income	(vii)	**118**	—
— Production services provided	(viii)	**40**	—
— Sales agency services provided	(ix)	**167**	—

Notes:

(i) The purchases were conducted in accordance with mutually agreed terms.

(ii) The sales were conducted in accordance with terms agreed between the Group and its related company, with reference to similar transactions with third party customers.

(iii) The loans to a related party were unsecured and interest-free.

(iv) The finished goods were sold based on mutually agreed terms.

(v) The raw materials were sold at cost.

(vi) The sales of fixed assets were conducted on mutually agreed terms.

(vii) The rental income was based on mutually agreed terms.

(viii) The production services were provided based on mutually agreed terms.

(ix) The sale agency services were provided based on mutually agreed terms.

31. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(b) Due from a director

	2010 RMB'000	2009 RMB'000
Mr. Luo Yun	–	300

The loan granted to the director was unsecured, non-interest-bearing and had no fixed terms of repayment. The carrying amount of the loan approximated to its fair value. The maximum amount outstanding during the reporting period was RMB300,000.

(c) Due from related companies

	2010 RMB'000	2009 RMB'000
Trade receivables from a company under common control of directors	–	31
Other receivables from:		
— The ultimate holding company (1)	–	7,877
— An indirect jointly-controlled entity of the ultimate holding company (2)	–	50
	–	7,927
	–	7,958

(1) The Group's non-trade receivables from the ultimate holding company related to purchase rebates from one of the main suppliers retained by the ultimate holding company. They were unsecured, non-interest-bearing and had no fixed terms of repayment.

(2) The Group's other receivables from an indirect jointly-controlled entity of the ultimate holding company were unsecured, non-interest-bearing and repayable within one month.

(d) Due to a related company

	2010 RMB'000	2009 RMB'000
Trade payables to a company under common control of directors	–	48

The Group's trade payables to a related company were non-interest-bearing.

31. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(e) Compensation of key management personnel of the Group

In addition to the amounts paid to the Company's directors as disclosed in note 7(a), compensation of other key management personnel of the Group is as follows:

	2010 RMB'000	2009 RMB'000
Short-term employees benefits	12,287	6,493
Pension scheme contributions	537	125
Equity-settled share option expense	645	—
Total compensation paid to other key management personnel	13,469	6,618

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets — loans and receivables

Group

	Notes	2010 RMB'000	2009 RMB'000
Trade and bills receivables	16	5,211	3,653
Financial assets included in prepayments, deposits and other receivables	17	13,075	7,993
Due from a director	31(b)	—	300
Due from related companies	31(c)	—	7,958
Restricted cash	18	—	6,090
Cash and cash equivalents	18	1,728,211	133,795
		1,746,497	159,789

Company

	Notes	2010 RMB'000	2009 RMB'000
Due from a subsidiary	14	180	—
Financial assets included in prepayments, deposits and other receivables	17	723	—
Cash and cash equivalents	18	1,369,430	—
		1,370,333	—

32. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities at amortised cost

Group

	Notes	2010 RMB'000	2009 RMB'000
Trade payables	19	**65,833**	39,657
Financial liabilities included in other payables and accruals	20	**21,555**	17,276
Interest-bearing bank loan	21	**—**	500
Due to a related company	31(d)	**—**	48
		87,388	57,481

Company

	Notes	2010 RMB'000	2009 RMB'000
Due to a subsidiary	14	**26,132**	—
Financial liabilities included in other payables and accruals	20	**239**	—
		26,371	—

33. FAIR VALUE

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Financial assets

Group

	Carrying amounts		Fair values	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Trade and bills receivables	**5,211**	3,653	**5,211**	3,653
Financial assets included in prepayments, deposits and other receivables	**13,075**	7,993	**13,075**	7,993
Due from a director	**—**	300	**—**	300
Due form related companies	**—**	7,958	**—**	7,958
Restricted cash	**—**	6,090	**—**	6,090
Cash and cash equivalents	**1,728,211**	133,795	**1,728,211**	133,795
	1,746,497	159,789	**1,746,497**	159,789

33. FAIR VALUE (Continued)

Financial assets (Continued)

Company

	Carrying amounts 2010 RMB'000	Carrying amounts 2009 RMB'000	Fair values 2010 RMB'000	Fair values 2009 RMB'000
Due from a subsidiary	180	—	180	—
Financial assets included in prepayments, deposits and other receivables	723	—	723	—
Cash and cash equivalents	1,369,430	—	1,369,430	—
	1,370,333	—	1,370,333	—

Financial liabilities

Group

	Carrying amounts 2010 RMB'000	Carrying amounts 2009 RMB'000	Fair values 2010 RMB'000	Fair values 2009 RMB'000
Trade payables	65,833	39,657	65,833	39,657
Financial liabilities included in other payables and accruals	21,555	17,276	21,555	17,276
Interest-bearing bank loan	—	500	—	500
Due to a related company	—	48	—	48
	87,388	57,481	87,388	57,481

Company

	Carrying amounts 2010 RMB'000	Carrying amounts 2009 RMB'000	Fair values 2010 RMB'000	Fair values 2009 RMB'000
Due to a subsidiary	26,132	—	26,132	—
Financial liabilities included in other payables and accruals	239	—	239	—
	26,371	—	26,371	—

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the Group's financial instruments approximate to their carrying amounts largely due to the short term maturities of these instruments.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise amounts due from a director and related companies, restricted cash, cash and cash equivalents, an interest-bearing bank loan and an amount due to a related company. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, other receivables and deposits and trade and other payables, which arise directly from its operations.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of the directors reviews and agrees policies for managing each of these risks and they are summarised below:

Interest rate risk

The Group's comprehensive income is affected by changes in interest rates due to the impact of such changes on interest expenses from an interest-bearing bank loan. The Group's policy is to obtain the most favourable interest rate available. The effective interest rate and terms of repayment of the interest-bearing bank loan of the Group are set out in note 21 to these financial statements. Management does not anticipate any significant impact resulting from the changes in interest rates because the Group's loan as at 31 December 2009 was at a fixed interest rate which has no significant impact on cash flow interest rate risk.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from purchases by operating units in currencies other than the unit's functional currencies. Approximately 78.7% (2009: 80.3%) of the Group's purchases were denominated in currencies other than the functional currencies of the operating units making the purchase. The Group also has certain bank balance denominated in HK$. The Group did not enter into any foreign exchange forward contracts to hedge against foreign exchange fluctuations. However, the Group makes rolling forecasts on its foreign currency expenses and arranges payments, so as to alleviate the impact on its business due to exchange rate fluctuations.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the United States ("US") dollar, Euro and HK$ exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in US dollar/ Euro/HK$ rate	**Increase/ (decrease) in profit before tax**	
		2010	2009
	%	**RMB'000**	RMB'000
If the RMB weakens against the US dollar	5	**(484)**	(767)
If the RMB strengthens against the US dollar	(5)	**484**	767
If the RMB weakens against the Euro	5	**(1,337)**	(635)
If the RMB strengthens against the Euro	(5)	**1,337**	635
If the RMB weakens against the HK$	5	**51,490**	—
If the RMB strengthens against the HK$	(5)	**(51,490)**	—

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise other receivables and deposits, amounts due from directors and related companies, restricted cash and cash and cash equivalents arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Liquidity risk

The Group's objectives are to maintain sufficient cash and cash equivalents and to have available funding through an adequate amount of committed credit facilities to meet its commitments.

The Group's cash and bank balances are placed with reputable financial institutions.

As at 31 December 2010 and 2009, all the Group's financial liabilities would be due within 12 months. Their contractual amounts to be paid approximate to their carrying amounts as shown in the consolidated statement of financial position.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a healthy liabilities to assets ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 2009.

The Group monitors capital using the liabilities to assets ratio, which is total liabilities divided by total assets. The liabilities to assets ratios as at the end of the reporting periods were as follows:

	2010 **RMB'000**	2009 RMB'000
Total liabilities	**242,107**	112,862
Total assets	**1,901,999**	283,419
Liabilities to assets ratio	**13%**	40%

35. EVENT AFTER THE REPORTING PERIOD

On 11 January 2011, the Company allotted and issued 2,294,000 ordinary shares of HK$0.01 each pursuant to the over-allotment option as referred to the Prospectus and offered at a price of HK$11.00 per share for a total cash consideration of HK$25,234,000.

36. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2011.

FOUR YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last four financial years, as extracted from the published audited financial statements, is set out below.

	Year ended 31 December			
	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010 RMB'000**
RESULTS				
REVENUE	188,297	325,540	558,969	**1,233,560**
Gross profit	137,872	236,874	395,953	**877,173**
PROFIT BEFORE TAX	27,402	44,606	118,153	**334,063**
Income tax expense	(9,916)	(9,444)	(9,836)	**(68,380)**
PROFIT FOR THE YEAR	17,486	35,162	108,317	**265,683**
Attributable to:				
Owners of the parent	17,487	35,066	108,317	**265,683**
Non-controlling interests	(1)	96	—	**—**
	17,486	35,162	108,317	**265,683**
EARNINGS PER SHARE				
ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RMB)				
For profit for the year				
— Basic	0.04	0.08	0.24	**0.58**
— Diluted	0.04	0.08	0.24	**0.58**

	As of 31 December			
	2007 RMB'000	2008 RMB'000	2009 RMB'000	**2010 RMB'000**
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS				
Non-current assets	15,487	27,869	29,755	**39,857**
Current assets	88,265	147,429	253,664	**1,862,142**
Current liabilities	(63,494)	(86,625)	(112,862)	**(236,347)**
Non-current liabilities	—	—	—	**(5,760)**
Net assets	40,258	88,673	170,557	**1,659,892**
Attributable to:				
Owners of the parent	40,235	88,422	170,557	**1,659,892**
Non-controlling interests	23	251	—	**—**
	40,258	88,673	170,557	**1,659,892**

Note: The Company was incorporated in the Cayman Islands on 30 April 2010 and became the holding company of the Group on 16 November 2010. The results and assets and liabilities for 2007, 2008 and 2009 have been prepared on a combined basis as if the current group structure had been in existence throughout those years.

BIOSTIME 合生元

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