Biostime International Holdings Limited

合生元國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立之有限公司）

(Stock Code 股份代號: 1112)

Annual Report 2015
二零一五年年報

BIOSTIME

BIOSTIME 合生元

Swisse

Healthy Times

素加ADiMIL
合生元集团荣誉出品

葆艾 BMcare
合生元集团出品

父母能量 PARENTING POWER
培养IQ、EQ、PQ全面发展的Q宝宝

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Luo Fei *(Chairman and Chief Executive Officer)*
Mr. Radek Sali

Non-executive Directors

Dr. Zhang Wenhui
Mr. Wu Xiong
Mr. Luo Yun
Mr. Chen Fufang

Independent Non-executive Directors

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

BOARD COMMITTEE

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

JOINT COMPANY SECRETARIES

Ms. Wong Tak Yee *FCS, FCIS*
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

HEAD OFFICE IN THE PRC

29th Floor, Guangzhou International Finance Center
5 Zhujiang West Road, Zhujiang New Town
Tianhe District, Guangzhou
Guangdong Province 510623
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit No. 3508, 35th Floor, West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

COMPANY'S WEBSITE

www.biostime.com

PRINCIPAL BANKER

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

CORPORATE INFORMATION

AUDITORS

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

LEGAL ADVISOR (AS TO HONG KONG LAWS)

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

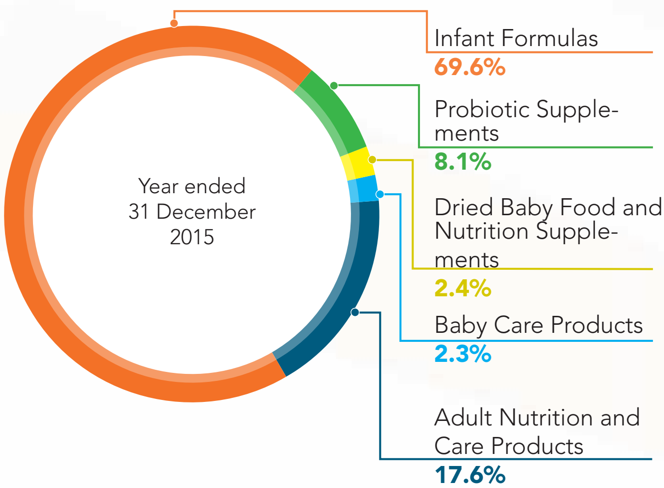
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

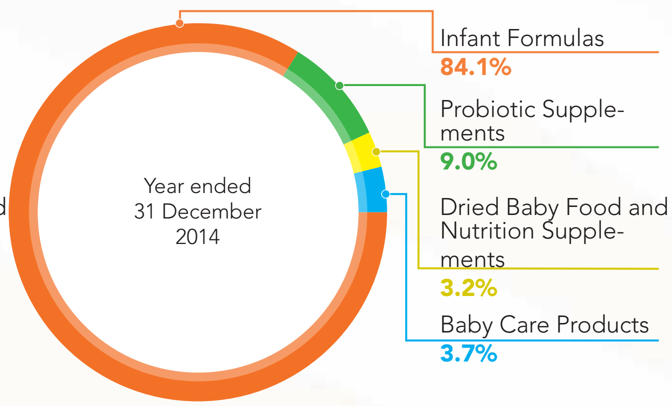
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2015	2014	% of Change
	RMB'000	RMB'000	
Revenue	**4,818,561**	4,731,563	1.8%
Gross profit	**2,984,565**	2,926,931	2.0%
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**626,438**	1,142,556	(45.2%)
Profit for the year	**293,321**	806,786	(63.6%)
Net cash flows from operating activities	**365,732**	972,172	(62.4%)
Basic earnings per share	**RMB0.41**	RMB1.34	(69.4%)

REVENUE BY PRODUCT SEGMENT





CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of Biostime International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), I am glad to present our annual report for the year ended 31 December 2015.

BUSINESS REVIEW

During the year of 2015, the Group reached a new stage of its development. Through its acquisition of an 83% equity interest of Swisse Wellness Group Pty Ltd ("Swisse") in September 2015, the Group has repositioned itself as an all-round premium family nutrition and care provider. In the baby nutrition and care market in China, the Group is in leading positions across all major channels. Meanwhile, Swisse is the market leader with strong brand recognition in the Australian vitamin, herbal and mineral supplements ("VHMS") segment.

With the financial results of Swisse consolidated into those of the Group for the fourth quarter of 2015, the Group's total revenue for the year ended 31 December 2015 reached RMB4,818.6 million and its net profit for the year reached RMB293.3 million. Among the Group's total revenue, 82.4% was generated from the baby nutrition and care products segment, while the remaining 17.6% was derived from the adult nutrition and care products segment.

During the year under review, the Chinese infant formula market maintained high single digit growth, but competition intensified at the same time because of the entrance of new competitors and increasing industry-wide promotional activities. Amid the more challenging environment, the Group kept a leading position in this market. According to Nielsen, an independent market research firm, the Group's share of the overall infant formula market in China increased from 5.6% in 2014 to 5.9% in 2015, making the Group the sixth largest player in the overall infant formula market. In terms of online sales, the Group has quickly gained market share since it launched B2C online sales in the second half of 2014 and ranked among the top 10 industry players with a market share of 1.5% in 2015.

BUSINESS REVIEW (Continued)

The Group's revenue derived from the baby nutrition and care products segment for the year under review was RMB3,968.7 million, decreasing by 16.1% from that of 2014. The decrease was mainly attributable to the one-off discount offered to distributors on the previous version of Biostime-branded infant formulas for the preparation of the launch of SN-2 PLUS Balanced Formulas. Such new formulas were proven to promote the balanced growth of babies by a clinical study which the Group conducted jointly with its strategic partners. These new products have now been distributed to the retail outlets nationwide and received positive feedback from both member stores and end-consumers. Alongside the launch of the SN-2 PLUS series, the Group has also placed new commercials on TV and advertisements on the Internet, highlighting its milk source from Normandy, France and the SN-2 PLUS lipid structure technology to differentiate its products from those of competitors. The Group is confident that the SN-2 PLUS Balanced Formulas will help it to maintain competitive advantage and achieve positive growth in the long run.

Regarding the adult nutrition and care products segment, Swisse contributed incremental sales equivalent to RMB849.9 million to the Group for the fourth quarter of 2015. Based on the research report of an independent market research company, Swisse became the No.1 brand in the total Australian vitamin and herbal market in 2015. In China, Swisse is currently the No. 1 brand in the healthcare category on both Tmall and Taobao. This strong momentum was mainly driven by Swisse's dedication to innovation, sophisticated marketing as well as the rapidly growing indirect sales in China. Swisse successfully has launched in Singapore and the United Kingdom and will continue its global roll-out in select countries in Europe, Asia and North America.

To align with the new positioning as a leading premium family nutrition and care provider, the Group has integrated its previous Biostime Business Unit, Adimil Business Unit and BMcare Business Unit into a Baby Nutrition and Care Business Unit, and has also established a dedicated Swisse China Business Unit to support Swisse's business development in China. Under these circumstances, the strategic objective of Mama100 e-commerce platform has been revised to be an internal service platform, which will be dedicated to the sales and marketing of the Group's products exclusively. The Group believes that this new structure will help integrate resources and achieve higher operating efficiency for its long-term business growth.

PROSPECTS

Looking ahead, the Group believes that the baby nutrition and care market in China remains attractive and will be further boosted by the full implementation of two-child policy, which will have a positive and significant impact on the number of newborns. In addition, the Chinese VHMS segment represents a large market with enormous growth potential. It currently has a market size of approximately RMB100 billion and is expected to grow at a double digit CAGR from 2015 to 2019 driven by an aging population, Chinese consumers' growing awareness of health and well-being and increasing disposable income. Another tailwind for this market is the recently announced Administrative Measures for Registration and Filing of Health Food (《保健食品註冊與備案管理辦法》) to be effective on 1 July 2016, which requires only filing for certain imported vitamin and mineral supplements using approved raw materials, and this policy will generally shorten the approval process for health food to be sold in traditional channels. The Group is confident that its new strategy and strong execution capability will set its business up for success and help capture the opportunities in both the baby and adult nutrition and care segments.

Marketing and Distribution

The Group will adhere to its all-round innovative market model which is composed of brand communication, interactive education, online and offline POS management, and database marketing (the "BIOD model"). The Group will allocate more resources to emerging media and maintain a certain exposure in traditional media. It will continue to develop in-house customer relationship management system to achieve precision marketing and consumer education.

Sales and distribution channel expansion under the online and offline POS management system is a critical business growth driver for the Group. According to Nielsen, the weighted average offline distribution rate of the Group is about 63%, representing a growth opportunity for the Group. As for the market, baby specialty store and pharmacy channels are rapidly growing in sales. The Group will expand in these channels to increase the nationwide distribution penetration of the Group's products.

PROSPECTS (Continued)

Marketing and Distribution (Continued)

Swisse has for many years positioned itself as a premium, proven and aspirational brand, with premium formulas using high standard ingredients and pharmaceutical manufacturing, proven by scientific evidence and being aspirational through the use of sponsorships including the Olympic games and celebrities endorsing the brand. Its sophisticated marketing model integrates campaigns across different formats and is repeatable across all marketing media and regions. Swisse will continue to invest in strengthening its leading market position in Australia. Entering China, Swisse will refine its 360-degree marketing model to fit into the business environment in China.

The Group has initiated the registration process with Chinese authorities for Swisse's products. Under the new registration and filing systems for health food, Swisse will accelerate the offline roll-out of its products in China.

With growing Chinese consumer demand for high quality, offshore products, cross-border e-commerce has emerged as a new sales channel. Health food products are among the most popular categories. Swisse launched its global flagship store at Tmall.hk in March 2016 and has been receiving increasingly strong traffic. Going forward, the Group will seek to make Swisse's products available on multiple cross-border e-commerce platforms in order to take full advantage of this channel shifting trend.

Innovation

Consumers are always seeking premium family nutrition and care products. The Group will stay committed to fulfilling its customers' diversified and ever-growing needs. Going forward, with its prominent and global R&D network in the fields of baby and adult nutrition and care, the Group will seek to expand its product offerings in different markets, leveraging its strong brand assets and distribution network.

Besides product development, the Group believes that innovation in business model is also critical to maintain competitiveness. The Group's innovative Customer Relationship Management ("CRM") System, supported by an extensive member database and sophisticated data analysis methods, has always played a key role in the Group's business performance. The Group will continuously advance this in-house CRM system to support precision marketing and consumer education. It will also seek to leverage this CRM system to manage Swisse's customer data and apply database marketing in order to achieve greater synergy.

CHAIRMAN'S STATEMENT

CHALLENGES

The Group mainly provides baby nutrition, health food and functional supplements in China. The regulations related to these categories are subject to change. The Group's operation may need to adjust according to the implementation of new regulations.

As the majority of the Group's infant formula products and raw materials are imported from Europe, the Group is exposed to the fluctuation in EUR to RMB exchange rate. Furthermore, as the functional currencies of its subsidiaries include AUD and US$, the Group is also exposed to the volatility of AUD and US$ exchange rates.

DIVIDEND

No interim dividend or final dividend was proposed by the Board during the year ended 31 December 2015 (2014 interim dividend: HK$0.26 per ordinary share, 2014 final dividend: HK$0.41 per ordinary share).

SOCIAL RESPONSIBILITY

The Group established the "Biostime China Foundation for Mother and Child" (the "Foundation") in cooperation with the Chinese Red Cross Foundation in 2007 and donates RMB0.1 to the Foundation for every product unit sold. The Foundation has assisted a significant number of children and mothers suffering from serious illnesses and supported a wide range of projects to promote community welfare. In recognition of the Group's contribution to society, the Group was proudly awarded "Public Welfare Innovation of the Year" and "Public Welfare Project of the Year" at the China Charity Festival 2015.

ACKNOWLEDGEMENTS

In 2015, the Group made significant accomplishments in its development history. That could not have been achieved without the strong support from our committed employees, shareholders, Mama100 members and all business partners. I would like to express my sincere gratitude to all of them and look forward to continuous cooperation with them in creating a brighter future.

Luo Fei
Chairman

Hong Kong, 29 March 2016

SUMMARY OF 2015 RESULTS

The table below sets forth the Group's selected information from the consolidated statements of profit or loss and other comprehensive income for the years indicated:

	Year ended 31 December		
	2015	2014	% of
	RMB'000	RMB'000	change
Revenue	**4,818,561**	4,731,563	1.8%
Gross profit	**2,984,565**	2,926,931	2.0%
Selling and distribution costs	**1,975,832**	1,587,764	24.4%
Administrative expenses	**280,144**	175,268	59.8%
Profit for the year	**293,321**	806,786	(63.6%)

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Net cash flows from operating activities	**365,732**	972,172
Net cash flows used in investing activities	**(4,163,769)**	(460,394)
Net cash flows from financing activities	**2,570,498**	1,171,847
Cash on hand and deposits at bank	**3,195,394**	4,493,340

RESULTS OF OPERATION

Revenue

For the year ended 31 December 2015, revenue of the Group increased by 1.8% to RMB4,818.6 million as compared with 2014. The increase in revenue was mainly attributable to the Group enriching its product portfolio into the adult nutrition and care products segment under the "Swisse" brand. On 30 September 2015, the Group successfully completed the acquisition of an approximately 83% equity interest in Swisse. The financial results of Swisse were consolidated into that of the Group from 1 October 2015 onwards.

	Year ended 31 December			
	2015 RMB'000	**% of Revenue**	2014 RMB'000	% of Revenue
Infant formulas	**3,355,849**	**69.6%**	3,981,575	84.1%
Probiotic supplements	**389,384**	**8.1%**	425,094	9.0%
Dried baby food and nutrition supplements	**113,715**	**2.4%**	151,420	3.2%
Baby care products	**109,710**	**2.3%**	173,474	3.7%
Adult nutrition and care products	**849,903**	**17.6%**	–	–
Total	**4,818,561**	**100.0%**	4,731,563	100.0%

Infant formulas

To coordinate the launch of the "Biostime" branded SN-2 PLUS Balanced Formulas at the end of June 2015, the Group carried out a series of non-recurring price discounting activities in the first three quarters of 2015 to clear away the previous version of infant formulas stocks. As a result, revenue from infant formulas decreased by 15.7% from RMB3,981.6 million in 2014 to RMB3,355.8 million in 2015. This new series of SN-2 PLUS Balanced Formulas enjoyed extensive and increasing attention from end customers and was well-received by the market after its launch. Despite the industrial headwind, the Group continued to increase its market share and maintained a leading position in 2015. Revenue from high-tier infant formulas accounted for 65.3% of total sales within the segment during the year, representing an increase of 2.3 percentage points from 63.0% in 2014.

Probiotic supplements

In 2015, probiotic supplements recorded revenue at RMB389.4 million, representing a decline of 8.4% as compared with that of last year. Due to the intensified market competition, the Group increased customer rewards to develop cross-selling. Sales volume of probiotic supplements remained stable as compared to 2014.

Dried baby food and nutrition supplements

Revenue from dried baby food and nutrition supplements accounted for 2.4% of the total sales of the Group in 2015, and declined by 24.9% to RMB113.7 million in 2015 as compared with 2014. The decrease was mainly due to the unstable supply of baby cereal products in a new facility. With the stabilized supply in baby cereal products and expanded product portfolios under the "Healthy Times" brand name, sales in this segment are expected to resume in the coming year.

Baby care products

Revenue from baby care products decreased by 36.8% from RMB173.4 million in 2014 to RMB109.7 million in 2015. The decrease in revenue was mainly due to the unstable supply of diapers in the supplier's new factory which was put into production in the first half of 2015.

Adult nutrition and care products

On 30 September 2015, the Group completed the acquisition of an approximately 83% equity interest in Swisse and the financial results of Swisse have been consolidated into that of the Group ever since. This milestone event enabled the Group outreached its product portfolios into adult nutrition and care segment with vitamins and health supplements products under the "Swisse" brand name. During the fourth quarter of 2015, revenue from sale of the adult nutrition and care products amounted to RMB849.9 million, representing 17.6% of the total sales of the Group. In late 2015, the Group initiated direct sales the Swisse branded products on the Mama100 APP and received high popularity among Chinese customers. In March 2016, the Group officially introduced the vitamin and health supplement products to the Chinese market through its newly set-up flagship store at Tmall.hk and showed strong sales momentum ever since the store opened. Looking forward in 2016, the Group is confident that sales of Swisse branded products will further boost with its precise market position and shared customer base with other products of the Group.

Gross profit and gross profit margin

In 2015, gross profit increased slightly from RMB2,926.9 million in 2014 to RMB2,984.6 million in 2015. Gross profit margin remained stable at 61.9% in 2015 as compared with that in 2014.

Other income and gains

Other income and gains in 2015 amounted to RMB144.0 million, representing an increase of 12.4% comparing with last year. Other income and gains primarily consisted of interest income of RMB118.7 million and government subsidies of RMB17.3 million.

Selling and distribution costs

Selling and distribution costs increased by 24.4% from RMB1,587.8 million in year 2014 to RMB1,975.8 million in 2015. During the year, the Group continued to invest its brand building activities to win customer recognition. On top of placing commercial advertisements in traditional media like TV and prints, the Group increased expenditures on emerging media, such as online search engines, renowned online sales platforms, video websites and online parenting forums. Management believed that all these initiatives taken were in the new trend of customer behaviors. At the same time, the Group stepped up investment in marketing and promotion activities to coordinate the newly launch of the SN-2 PLUS Balanced Formulas. Thus, selling and distribution costs as a percentage to revenue increased from 33.6% in 2014 to 41.0% in 2015.

Administrative expenses

Administrative expenses increased by 59.8% from RMB175.3 million in 2014 to RMB280.1 million in 2015. The increase was mainly caused by the one-off professional fees incurred in the acquisition of Swisse. Taken no consideration of such one-off professional fees related to the acquisition of Swisse, the administrative expenses as a percentage to revenue was 4.5% in 2015.

Other expenses

For the year ended 31 December 2015, other expenses amounted to RMB214.2 million, primarily consisting of R&D expenses of RMB84.0 million, net exchange loss for the year of RMB88.5 million and fair value change of a derivative of RMB18.5 million. The net exchange loss was mainly due to the re-translation of monetary assets and liabilities in foreign currencies

Finance costs

In 2015, the Group incurred finance costs of RMB154.0 million, including bank loan interests and other related expense of RMB57.6 million and non-cash interest expense of Convertible Bonds of RMB96.4 million.

Income tax expenses

Income tax expenses decreased by 32.4% from RMB311.6 million in 2014 to RMB210.6 million in 2015. The effective tax rate increased from 27.9% in 2014 to 41.8% in 2015. The increase in the effective tax rate was mainly due to the increase in unrecognized tax losses, which mostly arose from exchange differences, one-off transaction costs in relation to acquisition and interest expenses not deductible for tax in certain of the Group's entities.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

For the year ended 31 December 2015, the Group had net cash generated from operating activities of RMB365.7 million, consisting of cash generated from operations of RMB645.3 million, partially offset by income tax paid of RMB279.6 million. The Group's cash generated from operations consisted of cash flow from operating activities of RMB640.7 million before working capital adjustments and net positive changes in working capital of RMB4.6 million.

Investing activities

For the year ended 31 December 2015, net cash flows used in investing activities amounted to RMB4,163.8 million. The Group's net cash outflows for investing activities were mainly due to the acquisition of two subsidiaries at RMB5,998.9 million, partially offset by a net decrease in time deposits of RMB1,893.0 million, which freed up cash.

Financing activities

For the year ended 31 December 2015, net cash generated from financing activities amounted to RMB2,570.5 million. It primarily reflected the net proceeds from bank loans of RMB4,740.5 million to finance the acquisition of Swisse, partially offset by the net increase in pledged deposits of RMB1,927.0 million to secure the bank loans as well as the distribution of dividends to the shareholders of the Company of RMB196.0 million.

Cash and bank balances

As of 31 December 2015, cash and cash equivalents as stated in the consolidated statement of financial position amounted to RMB1,198.2 million. Taking into consideration of the non-pledged time deposits with original maturity of more than one year when acquired of RMB70.2 million and pledged deposits to secure the outstanding bank loans of RMB1,927.0 million, the Group's cash and deposits to secure the outstanding bank loans amounted to RMB3,195.4 million as of 31 December 2015.

Interest-bearing bank loans and convertible bonds

As of 31 December 2015, the outstanding balance of the interest-bearing bank loans and Convertible Bonds amounted to RMB4,740.5 million and RMB2,659.1 million respectively. The gearing ratio was 53.5% calculated by dividing the interest-bearing bank loans and Convertible Bonds by the total assets.

As at 31 December 2015, the Group recorded net current liabilities of RMB2,041.3 million, which was mainly resulted from the Bridge Loan of US$443.2 million (being the principal of US$450.0 million, netting off an upfront fee of US$6.8 million, and equivalent to approximately RMB2,900.9 million) obtained for the acquisition of 83% equity interest in Swisse.

The Group is in the process of refinancing the Bridge Loan by a syndicated loan and the internal credit approvals have been obtained from certain banks relating to the syndicated loan. The Company believes that the Group will be able to secure the refinancing of the syndicated loan in due course. At the same time it will be able to continue to generate positive cash flows from its operations before the Bridge Loan falls due. On this basis, the Company considers that the Group is able to meet in full its financial obligations as they fall due in the coming 12 months.

Working capital cycle

The Group's cash cycle decreased from 112 days in 2014 to 96 days in 2015.

Advance payment is normally required for sale of the baby nutrition and care products except for limited circumstances, while the Group usually allows credit sales for the adult nutrition and care products with credit term ranging from 30 to 60 days. As such, the average turnover days for trade and bills receivables increased from 1 day in 2014 to 24 days for the year ended 31 December 2015.

The inventory turnover days decreased to 162 days in 2015 from 176 days in 2014. The Group endeavored to maintain its inventory at a healthy level to avoid excess inventory and deep discounting.

The average turnover days of trade payables increased from 65 days in 2014 to 90 days in 2015, which was mainly due to the increased purchase from suppliers with longer credit terms.

USE OF PROCEEDS

The shares of the Company became listed on the Main Board of the Stock Exchange on 17 December 2010 with net proceeds from the global offering of the Company's shares of approximately HK$1,595.6 million after consideration of the partial exercise of the over-allotment option. As at 31 December 2015, all the net proceeds from the global offering have been utilized.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, some of which are inherent to the Group's business and some are from external sources. The major risks faced by the Group are set in the Chairman's statement in the section headed "Challenges".

EVENTS AFTER THE END OF THE REPORTING PERIOD

No significant events occurred after the end of the reporting period and up to the approval date of the financial statements.

ADDITIONAL DISCLOSURES

Compliance with Laws and Regulations

The Group recognizes the importance of compliance with regulatory requirements and has instituted guidelines to staff on compliance with laws and regulations. The Group's business has extended to select countries in Europe, Asia and North America and our operations accordingly shall comply with the relevant laws and regulations in these jurisdictions. During the year ended 31 December 2015 and up to the date of this report, the Group has complied with all the relevant laws and regulations in the jurisdictions where it operated.

Environmental Policies

The Group does not mainly engage in production activities and therefore its operations do not generally result in pollution issues. The Group strives to strengthen its environmental protection efforts on conserving resources and managing waste from its business activities.

Relationship with Employees

The Group values its employees and recognizes the importance of personal development of its employees. The Group strives to motivate employees with a clear career path and opportunities for advancement and improvement of their skills. The Group provides regular training sessions for its employees for their continuous professional development in areas such as managerial skills, communication skills, sales and quality control.

Relationship with Customers

The Mama100 membership program offers extensive membership services to the Group's customers. There are service hotlines for its members to obtain updated information such as parenting tips and products information. Through this program, the Group is able to get feedback from the customers and better understand consumer needs and demands.

Relationship with Suppliers

The Group has developed long-standing and good relationships with its global suppliers through long term supply contracts. The Group also participates in joint research and development projects with certain suppliers to further explore and improve the products to be offered. The Group works together with its suppliers to ensure we share our commitment to product quality.

The board (the "Board") of directors (the "Directors") of the Company is pleased to present this Corporate Governance Report in the Annual Report.

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's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). Throughout the year ended 31 December 2015, the Company has complied with all the code provisions as set out in the CG Code, save and except for code provisions A.2.1 and C.1.2, details of which are explained below.

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.

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 year ended 31 December 2015.

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

No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the year ended 31 December 2015.

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

THE BOARD

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company. All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. 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.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

Board Composition

The Board currently comprises nine members, consisting of two executive Directors, four non-executive Directors and three independent non-executive Directors. The Board has also established three Board committees, namely, the nomination committee (the "Nomination Committee"), the audit committee (the "Audit Committee") and the remuneration committee (the "Remuneration Committee"). Directors' biographical details are set out in the section headed "Biography of Directors and Senior Management" on pages 36 to 45 of this Annual Report. The Board currently comprises the following members:

Executive Directors:

Mr. Luo Fei *(Chairman, Chief Executive Officer, Chairman of the Nomination Committee and Member of the Remuneration Committee)*
Mr. Radek Sali *(Note)*

Non-executive Directors:

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

Independent non-executive Directors:

Dr. 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

Note: Mr. Radek Sali was appointed as an executive Director of the Company on 21 January 2016.

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

Delegation by the Board

During the year ended 31 December 2015, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The non-executive Directors bring a wide range of business and financial expertise, experience and independent judgement 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.

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 delegated to the three Board committees the responsibility for overseeing particular aspects of the Company's affairs. All Board committees are established with defined written terms of reference which have been posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request. The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 4 of the Annual Report. 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.

THE BOARD (Continued)

Chairman and Chief Executive Officer

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

Mr. Luo Fei, the Chairman of the Company, was also appointed as the Chief Executive Officer of the Company. The Board 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.

Joint Company Secretaries

The joint company secretaries of the Company are Ms. Wong Tak Yee of Tricor Services Limited, an external service provider, and Ms. Yang Wenyun who is also the primary contact person of the Company. Details of the biographies of the joint company secretaries are set out in the section headed "Biography of Directors and Senior Management" on pages 36 to 45 of the Annual Report.

Each of the joint company secretaries has undertaken sufficient hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules during the year ended 31 December 2015.

Board Practices of 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.

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Notice of regular Board meetings is served to all Directors at least 14 days before the meeting. For other Board and Board committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 7 days before each Board meeting or Board committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

THE BOARD (Continued)

Board Practices of Meetings (Continued)

The senior management attends all regular Board meetings and where necessary, other Board and Board committee meetings, to advise on business developments, financial and accounting matters, statutory and regulatory compliance, corporate governance and other major aspects of the Company.

The joint company secretaries are responsible for taking and keeping minutes of all Board meetings and Board committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and final versions are open for Directors' inspection.

The Company's Articles of Association (the "Articles of Association") contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

The Board has four scheduled meetings a year at quarterly interval and additional meetings will be held as and when required. The four scheduled Board meetings for a year are planned in advance.

During the year ended 31 December 2015, the Board held 12 meetings. During the meetings of the Board held in 2015, the Board reviewed the operation and financial performance and reviewed and approved the annual results for the year ended 31 December 2014 and the interim results for the six months ended 30 June 2015.

THE BOARD (Continued)

Directors Attendances at Various Board and Board Committee Meetings and Annual General Meeting during the Year Ended 31 December 2015

Name of Directors	Board Meetings	Audit Committee Meetings	Nomination Committee Meeting	Remuneration Committee Meetings	Annual General Meeting
Executive Directors					
Mr. Luo Fei *(Note 1)*	12/12	N/A	1/1	1/1	1/1
Ms. Kong Qingjuan *(Note 4)*	12/12	N/A	N/A	N/A	1/1
Non-executive Directors					
Dr. Zhang Wenhui	12/12	N/A	N/A	N/A	1/1
Mr. Wu Xiong	12/12	N/A	N/A	N/A	1/1
Mr. Luo Yun	12/12	2/2	N/A	N/A	1/1
Mr. Chen Fufang	12/12	N/A	N/A	N/A	1/1
Independent non-executive Directors					
Dr. Ngai Wai Fung *(Note 2)*	12/12	2/2	1/1	1/1	1/1
Mr. Tan Wee Seng *(Note 3)*	12/12	2/2	1/1	1/1	1/1
Professor Xiao Baichun	12/12	N/A	N/A	N/A	1/1
Date of Meeting *(DD/MM/YYYY)*	10/01/2015 09/02/2015 24/03/2015 14/05/2015 01/07/2015 10/07/2015 23/07/2015 18/08/2015 03/11/2015 15/11/2015 29/12/2015 31/12/2015	23/03/2015 17/08/2015	03/11/2015	02/11/2015	15/05/2015

Notes:

1: Chairman of the Board and the Nomination Committee
2: Chairman of the Audit Committee
3: Chairman of the Remuneration Committee
4: Ms. Kong Qingjuan resigned as an executive Director of the Company on 21 January 2016.

None of the meetings set out above was attended by any alternate Director.

THE BOARD (Continued)

Directors Attendances at Various Board and Board Committee Meetings and Annual General Meeting during the Year Ended 31 December 2015 (Continued)

Besides the Annual General Meeting ("AGM") held on 15 May 2015, no other general meeting was held during the year ended 31 December 2015.

In addition to the above-mentioned Board meetings, the Chairman of the Board held a meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the year ended 31 December 2015.

Independence of Independent Non-executive Directors

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of Rule 3.13 of the Listing Rules. Based on these confirmations, the Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules.

In order to better encourage the independent non-executive Directors to exert their professional knowledge and expertise for the Company, each of them was granted share options by the Company on 16 December 2011 under the Share Option Scheme adopted by the Company. Details of such grant of share options are set out on page 53 of this Annual Report.

Term of Appointment of Non-executive Directors

Each of the non-executive Directors (including independent non-executive Directors) of the Company has entered into a letter of appointment with the Company for a specific term of three years, automatically renewable upon expiration, and is subject to retirement by rotation at an AGM at least once every three years and being eligible, offer himself for re-election pursuant to the Company's Articles of Association.

Appointment, Re-election and Removal of Directors

The Company has established formal, considered and transparent procedures for the appointment of Directors.

The Company has adopted the procedures for shareholders to propose a person for election as a Director of the Company. These procedures are available and accessible on the Company's website at www.biostime.com.

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 at an AGM upon retirement pursuant to relevant articles of the Articles of Association.

THE BOARD (Continued)

Appointment, Re-election and Removal of Directors (Continued)

In accordance with the Company's Articles of Association adopted by the Company on 25 November 2010, 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.

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.

The remuneration of each of members of the senior management of the Group by band for the year ended 31 December 2015 is set out below:

Remuneration bands	Number of persons
HK$500,001 to HK$1,000,000	2
HK$1,000,001 to HK$2,000,000	5
HK$2,000,001 to HK$3,000,000	7
HK$3,000,001 to HK$4,000,000	3
HK$4,000,001 to HK$5,000,000	2

Further particulars regarding Directors' and chief executive's remuneration and five highest paid employees as required to be disclosed pursuant to Appendix 16 of the Listing Rules are set out in note 8 to the financial statements.

THE BOARD (Continued)

Continuous Professional Development

Directors keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the Directors. Continuing briefing and professional development for Directors are arranged where necessary. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2015, the Directors participated in the following trainings:

	Types of Training
Executive Directors	
Mr. Luo Fei	B
Ms. Kong Qingjuan *(resigned with effect from 21 January 2016)*	B
Non-executive Directors	
Dr. Zhang Wenhui	A, B
Mr. Wu Xiong	B
Mr. Luo Yun	B
Mr. Chen Fufang	B
Independent non-executive Directors	
Dr. Ngai Wai Fung	A, B
Mr. Tan Wee Seng	A, B
Professor Xiao Baichun	A, B

A: attending seminars and/or conferences and/or forums relating to directors' duties or other relevant topics.
B: reading newspaper, journals and updates relating to the economy, general business or directors' duties etc.

THE BOARD (Continued)

Corporate Governance Function

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board on 20 March 2012 in compliance with code provision D.3.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and relevant disclosure in the Corporate Governance Report of the Annual Report of the Company.

During the year ended 31 December 2015, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Company Code, Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and relevant disclosure in this Corporate Governance Report of the Annual Report of the Company.

Under code provision C.1.2 of the CG Code, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position, and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. During the year ended 31 December 2015, as the Board had held 8 meetings in additional to the regular Board meetings, to discuss and consider certain specific affairs of the Group, instead of monthly updates, the management of the Company had provided the Board with updates of the Group before and during each of such meetings to keep all Directors abreast of the performance, position and prospects of the Group.

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2015. The Directors' responsibilities for preparing the financial statements of the Company for the year ended 31 December 2015 are set out in the Directors' Report on page 77 of the Annual Report.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Liability Insurance for Directors

The Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities since August 2011, which is reviewed and renewed on an annual basis. The insurance coverage was lately renewed on 18 August 2015.

NOMINATION COMMITTEE

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

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment, re-appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board diversity policy adopted on 20 August 2013, including but not limited to gender, race, language, cultural background, educational background, industry experience and functional experience. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

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.

The Nomination Committee held a meeting during the year ended 31 December 2015 to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and make recommendations to the Board on the re-election of Directors and the attendance records are set out in the section headed "Directors Attendances at Various Board and Board Committee Meetings and Annual General Meeting during the Year Ended 31 December 2015" above. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

In accordance with Articles 84(1) and 84(2) of the Company's Articles of Association, Mr. Luo Fei, the executive Director, Dr. Zhang Wenhui, the non-executive Director and Professor Xiao Baichun, the independent non-executive Director, shall retire from office by rotation at the forthcoming AGM to be held on 13 May 2016. In addition, Mr. Radek Sali being an executive Director, appointed by the Board to fill the casual vacancy created by the resignation of Ms. Kong Qingjuan with effect from 21 January 2016, shall hold office until the first general meeting of members after his appointment (i.e. the forthcoming AGM) and be subject to re-election at such meeting pursuant to Article 83(3) of the Company's Articles of Association. All the above Directors, being eligible, will offer themselves for re-election at the forthcoming AGM.

The Company's circular dated 7 April 2016 contains detailed information of the Directors standing for re-election.

AUDIT COMMITTEE

The Audit Committee comprises three members, namely, Dr. 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 auditors.

The Company has adopted a whistleblowing policy for promoting high corporate governance standards and deterring wrongdoings. The policy aims at encouraging and enabling employees of the Group at all levels and as well as distributors and suppliers to report to the Audit Committee violations or suspected violations and to raise serious concerns about possible improprieties in matters of financial reporting or other matters of the Group.

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 auditors or external auditors before submission to the Board;

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

- 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.

The Audit Committee has reviewed the Company's interim results for the six months ended 30 June 2015 and the annual results for the year ended 31 December 2015, the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2015 and the Annual Report for the year ended 31 December 2015, the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management systems and processes, scope of work and the re-appointment of the external auditors, connected transactions and arrangement for employees to raise concerns about possible improprieties. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditors.

The Audit Committee held two meetings during the year ended 31 December 2015 and the attendance records are set out in the section headed "Directors Attendances at Various Board and Board Committee Meetings and Annual General Meeting during the Year Ended 31 December 2015" above.

The Audit Committee also met the external auditors twice without the presence of the executive Directors in the year of 2015.

AUDIT COMMITTEE (Continued)

External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements of the Company is set out in the Independent Auditors' Report on pages 78 to 79 of the Annual Report.

Non-audit services by the external auditors are subject to the Audit Committee's approval and may be engaged only if they are more effective or economical than those available from other service providers and will not constitute adverse impact on the independence of the external auditors. In 2015, the external auditors provided non-audit services mainly in tax compliance and advisory services, financial and tax due diligence services and assurance service on a circular.

The Audit Committee has reviewed the independence and objectivity of the external auditors in 2015 and has been satisfied with the findings. The Audit Committee has recommended to the Board the re-appointment of Ernst & Young as the Company's external auditors at the forthcoming AGM.

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

Type of Services	**RMB'000**
Annual audit services	4,006
Non-audit services	
— Tax compliance and advisory services	123
— Financial and tax due diligence services	5,965
— Assurance service on a circular	1,400
Total	11,494

REMUNERATION COMMITTEE

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

The primary objectives of the Remuneration Committee include making recommendations on the Company's remuneration policy and structure for all Directors' and senior management's remuneration, and remuneration packages of the individual executive Directors and the senior management. The Remuneration Committee is also responsible for establishing a formal and transparent procedure for developing such remuneration policy and structure to ensure that no Director or any of his associates (as defined in the Listing Rules) will be involved 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.

REMUNERATION COMMITTEE (Continued)

The Human Resources Department of the Company 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.

The Remuneration Committee has reviewed the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and the senior management for the year under review.

During the year under review, the Remuneration Committee made recommendations to the Board to grant and award the shares of the Company to eligible persons pursuant to the Share Award Scheme adopted by the Board on 28 November 2011 and amended by the Board on 30 March 2012 and the 2013 Share Award Scheme adopted by the Board on 29 November 2013 and amended by the Board on 14 May 2015, in order to recognise the contributions by certain employees, to give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

The Remuneration Committee held one meeting during the year ended 31 December 2015 and the attendance records are set out in the section headed "Directors Attendances at Various Board and Board Committee Meetings and Annual General Meeting during the Year Ended 31 December 2015" above.

INTERNAL CONTROL AND RISK MANAGEMENT

The Company has designed and implemented an internal control system based on its organizational architecture and operational model. The internal control framework and its related management system apply to all business and financial processes of the Group and its subsidiaries and business units. 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, and to identify and manage potential risks.

The Company has established a dedicated Enterprise Risk Management process to regularly perform risk assessments on all business processes across the Company. This process identifies, manages, and monitors the significant risks to which the Company is exposed, forecasts potential risks to the Company caused by changes in both the internal and external environments, and submits risk management strategies along with mitigating measures to corporate management for decision making. All process owners are responsible for identifying, assessing, and managing different types of risks and related internal control measures. Risk assessment factors include the likelihood of a risk occurring and its potential impact.

The Group has also established a comprehensive complaint channel, an investigation mechanism, and an accountability system. The Group has clearly defined guidelines in the Agreement on Honesty and Integrity which the Group signs with its suppliers and dealers. Suppliers and dealers can denounce any improper conduct concerning the Company's employees through the channels provided in the agreement. This helps the Company monitor the integrity of its employees.

INTERNAL CONTROL AND RISK MANAGEMENT (Continued)

During the year under review, the Board, through the Audit Committee, conducted a review of effectiveness of the internal control system of the Group, including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget. The Internal Audit Department is responsible for assessing the Group's internal control system, formulating an impartial opinion on the system, and reporting its findings to the Audit Committee and senior management, as well as following up on all reports to ensure that all issues have been satisfactorily resolved.

The Company's business operation highly relies on information technology ("IT"). The Internal Audit Department of the Group has started to embrace IT as a key part of its group-wide activities since 2013. IT risks such as privacy, security and project failure are being viewed increasingly in the context of broader business risks in the Company. IT audit provides assurance to management, in terms of initiating tests to IT controls, assessing the current state, planning IT governance solutions, monitoring IT governance initiatives and helping make IT governance business as usual. The Internal Audit Department of the Group has implemented an information security management system since January 2013 which covers a wide range of the Group's products, services and operations. The Group has received the Information Security Management System Dual Certification accredited by China National Accreditation Service (CNAS) and United Kingdom Accreditation Service (UKAS), demonstrating the conformity with information security management standards recognized domestically and internationally. The information security management system covers the products and services of the Company, as well as the development, operation, support and maintenance of Mama100 platform, Mama100 call center, supply chain management, sales and membership information management and Enterprise Resource Planning (ERP). The Certification marks a milestone of the Company's ability to continuously provide better foundation of storing, processing and analyzing the data in a secure manner, which is critical to the Group's operation excellence and decision making.

In addition, a regular dialogue is maintained between the Internal Audit Department of the Group and the external auditors of the Group so that both are aware of significant factors which may affect their respective scope of work. Depending on the nature of business and risk exposure of individual business units, the scope of work of the internal audit includes financial and operations reviews, recurring and surprise audits, fraud investigations and productivity efficiency reviews.

The Board believes that the existing internal control system is adequate and effective.

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 Company endeavours to maintain an on-going dialogue with shareholders and in particular, through AGMs and other general meetings. At the AGMs, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

The Board has adopted a shareholders' communication policy to set out the Company's procedures in providing the shareholders with prompt and equal access to information about the Company, in order to enable the shareholders to access the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

Voting at general meetings of the Company is conducted by way of poll in accordance with Article 66 of the Articles of Association. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company. In addition, the Company regularly meets with institutional investors, financial analysts and financial media, and promptly releases information related to any significant progress of the Company, so as to promote the development of the Company through mutual and efficient communications.

During the year ended 31 December 2015, the Company participated at 18 investors' conferences and roadshows and more than 400 individual meetings with analysts, institutional investors and fund managers. The investors' conferences and roadshows attended by the Company during the year are summarized as follows:

Date	Event	Organizer	Location
Jan 2015	DBAccess China Conference 2015	Deutsche Bank	Bejing
Mar 2015	Hong Kong Roadshow	BoA Merrill Lynch	Hong Kong
Apr 2015	Europe Roadshow	BNP Paribas	London, Edinburgh, Paris, Amsterdam, Frankfurt, Milan
May 2015	CICC Corporate Day 2015	CICC	Nanjing
May 2015	HSBC China Investment Conference	HSBC	Shanghai
May 2015	DBAccess Asia Conference 2015	Deutsche Bank	Singapore
May 2015	Singapore Roadshow	HSBC	Singapore

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS (Continued)

Date	Event	Organizer	Location
May 2015	GF Securities Investment Conference	Guangfa Securities	Shenzhen
Jun 2015	Kim Eng HK/CN SMID Cap Corporate Day	Kim Eng	Hong Kong
Aug 2015	Hong Kong Roadshow	HSBC	Hong Kong
Sep 2015	CICC London Conference	CICC	London
Sep 2015	BAML Global Consumer & Retail Conference	BoA Merrill Lynch	London
Sep 2015	Asian Sharia Investment Conference	RHB OSK	Kuala Lumpur
Oct 2015	Jefferies 5th Annual Greater China Summit	Jefferies	Hong Kong
Nov 2015	BAML 2015 China Conference	BoA Merrill Lynch	Beijing
Nov 2015	Citi 10th Annual China Conference	Citi	Macau
Nov 2015	Morgan Stanley Asia Pacific Summit 2015	Morgan Stanley	Singapore
Dec 2015	Huatai Investment Conference	Huatai Securities	Nanjing

The last shareholders' meeting was the AGM held on 15 May 2015 at Gloucester Room I, 3/F., The Excelsior, Hong Kong, 281 Gloucester Road, Causeway Bay, Hong Kong for approval of, among others, the general mandates to issue and purchase shares of the Company and the re-election of Directors. Particulars of the major items considered at the AGM are set out in the circular dated 2 April 2015. All proposed ordinary resolutions were passed by way of poll at the AGM.

The forthcoming AGM will be held on 13 May 2016. 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, 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 and available for public access. Investors may write directly to the Company or via email to IR@biostime.com.cn for any enquiries.

During the year under review, the Company has not made any changes to its Memorandum and Articles of Association. An updated version of the Company's Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

SHAREHOLDER RIGHTS

How Shareholders can convene an extraordinary general meeting and putting forward proposals at Shareholders' meetings

Pursuant to Article 58 of the Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the joint company secretaries of the Company by mail at Unit No. 3508, 35th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the joint company secretaries by mail at Unit No. 3508, 35th Floor, West Tower, Shun Tak Centre, 200 Connaught Road Central, Hong Kong. The joint company secretaries forward communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions, inquiries and customer complaints, to the Chief Executive Officer of the Company.

EXECUTIVE DIRECTORS

Mr. Luo Fei (羅飛), aged 52, is an executive Director and Chief Executive Officer of the Company. Mr. Luo was appointed as an executive Director on 30 April 2010, and is also a director of the Company's subsidiaries BiosTime, Inc. (Guangzhou) ("Biostime Guangzhou"), BMcare Baby Products Inc. (Guangzhou) ("BMcare Guangzhou"), Biostime (Guangzhou) Education Management Inc. ("Biostime Education"), Biostime International Investment Limited ("Biostime Investment"), Biostime Hong Kong Limited ("Biostime Hong Kong"), Parenting Power International Holdings Limited ("Parenting Power Holdings"), Parenting Power Investment Limited ("Parenting Power Investment"), Parenting Power Hong Kong Limited ("Parenting Power Hong Kong"), Mama100 International Holdings Limited ("Mama100 Holdings"), Mama100 International Investment Limited ("Mama100 Investment"), Mama100 Hong Kong Limited ("Mama100 Hong Kong") ,Guangzhou Hapai Information Technology Co., Ltd. ("Guangzhou Hapai"), Adimil (Changsha) Nutrition Products Limited ("Changsha Adimil"). Mr. Luo is also a director of Guangzhou Mama100 E-commerce Co., Limited (廣州市媽媽一百電子商務有限公司) ("Mama100 E-commerce"), a company controlled by the Group through a series of structure contracts. He is also the supervisor of the Company's subsidiary Biostime (Guangzhou) Health Products Limited ("Biostime Health"). Mr. Luo is also a director of the Company's substantial shareholder Biostime Pharmaceuticals (China) Limited ("Biostime Pharmaceuticals") with discloseable interests in the shares of the Company under the Provisions of Divisions 2 & 3 of Part XV of the Securities and Futures Ordinance (the "SFO"). For further details, please refer to page 62 of this Annual Report. Mr. Luo is primarily responsible for the Company's overall strategies, planning and business development. Mr. Luo has approximately 20 years of experience in the biotechnology industry. From June 1989 to October 1990, Mr. Luo was employed by 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, Mr. Luo established Guangzhou Baixing Bioengineering Co., Ltd. (廣州百星生物工程有限公司) and acted as its legal representative and general manager. In December 1994, Mr. Luo established Guangzhou Biohope Co., Ltd. ("Guangzhou Biohope"), a company engaged in the import and distribution of raw materials for personal care products and household cleaning products, and acted as Guangzhou Biohope's legal representative from December 1994 to June 2010, and has been a director of Guangzhou Biohope since December 1994. In August 1999, Mr. Luo established Biostime Guangzhou and has served as its general manager since then. Mr. Luo is also the vice-chairman of the Mommy Baby Products Association of Guangdong Province (廣東孕嬰童用品協會) and chairman of the management committee of the Biostime China Foundation for Mothers and Children. 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). Mr. Luo has also completed the China Europe International Business School (中歐國際工商學院) EMBA program and was awarded a master's degree in business administration in September 2008.

Mr. Sali Radek, aged 39, is currently the chief executive officer and a director of Swisse, a non-wholly owned subsidiary of the Company. Mr. Sali currently serves on the advisory board of the National Institute of Integrative Medicine. Mr. Sali has over 10 years of experience in the health and wellness products industry. He joined Swisse in 2005 and has assumed the role of chief executive officer since 2007. He has successfully driven the Australian "Swisse" brand to be a top brand in vitamins, minerals and supplements for online sales in China. Mr. Sali was recognized as the GQ Businessman of the Year and the CEO Magazine's Health & Pharmaceutical Executive of the Year in 2012, in addition to a number of health industry awards presented to Swisse in 2012. Prior to joining Swisse, Mr. Sali had served various roles as general manager, regional manager and country manager at Village Roadshow Limited (and its related entities), an Australian media company with interests in cinema, theme parks, film production and distribution, for eleven years. Mr. Sali graduated with a Bachelor of Arts degree from La Trobe University in Melbourne. He also obtained a Diploma of Business from University of New England. In addition, he had obtained a Certificate in Finance and a Certificate in Leadership from Melbourne Business School.

NON-EXECUTIVE DIRECTORS

Dr. Zhang Wenhui (張文會), aged 51, is a non-executive Director of the Company. Dr. Zhang was re-designated to a non-executive Director on 25 June 2012. Dr. Zhang was previously an executive Director of the Company from 12 May 2010 to 24 June 2012. Dr. Zhang is also a director of the Company's substantial shareholder Biostime Pharmaceuticals with discloseable interests in the shares of the Company under the Provisions of Divisions 2 & 3 of Part XV of the SFO. For further details, please refer to page 62 of this Annual Report. Dr. Zhang has also been an independent director of Stoltze Specialty Processing, LLC in the United States since September 2012. Dr. Zhang has almost 18 years of experience in the biotechnology industry, through teaching in universities and working for several biotechnology companies. Dr. Zhang was a lecturer of bioengineering at South China University of Technology (華南理工大學) from August 1994 to August 1996. From December 2000 to August 2003, Dr. Zhang was employed as an assistant research 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, Dr. Zhang was employed as a scientist in the process development department of Xoma (US) LLC in the United States from September 2003 to September 2005. Dr. Zhang joined the Group in October 2005 as the chief technology officer of Biostime Guangzhou and became a general manager of the technology center of Biostime Health in December 2010, where he was primarily responsible for the research and development, product quality control and technology support, and held this position until 24 June 2012. Dr. Zhang was also the chief technology officer and head of the Quality Assurance Department of the Company until 24 June 2012 and a director of the Company's subsidiaries Biostime Guangzhou, Biostime Health and BMcare Guangzhou until 2 September 2012. 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, and 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. In September 1997, Dr. Zhang completed an international post graduate university course in microbiology at Osaka University (大阪大學). Dr. Zhang conducted research as a post-doctoral scientist in the department of food science and technology in the University of Nebraska-Lincoln (內布拉斯加大學林肯分校) in the United States from October 1997 to November 2000.

Mr. Wu Xiong (吳雄), aged 60, is a non-executive Director of the Company. Mr. Wu was appointed as a non-executive Director on 12 May 2010, and is also a director of the Mama100 E-commerce. Mr. Wu is also a director of the Company's substantial shareholder Biostime Pharmaceuticals with discloseable interests in the shares of the Company under the Provisions of Divisions 2 & 3 of Part XV of the SFO. For further details, please refer to page 62 of this Annual Report. Mr. Wu 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, Mr. Wu was employed by 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, Mr. Wu 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 was a director of the Company's subsidiaries Biostime Guangzhou, Biostime Health and BMcare Guangzhou until 2 September 2012. Mr. Wu graduated from Haikou No.1 Middle School (海口市第一中學) in July 1975.

NON-EXECUTIVE DIRECTORS (Continued)

Mr. Luo Yun (羅雲), aged 55, is a non-executive Director of the Company. Mr. Luo was appointed as a non-executive Director on 12 May 2010, and is also a director of the Company's subsidiaries Biostime Guangzhou, Biostime Health, BMcare Guangzhou, Biostime Education, Biostime Investment, Biostime Hong Kong, Parenting Power Holdings, Parenting Power Investment, Parenting Power Hong Kong, Mama100 Holdings, Mama100 Investment, Mama100 Hong Kong and Guangzhou Hapai. Mr. Luo is also a director of the Company's substantial shareholder Biostime Pharmaceuticals with discloseable interests in the shares of the Company under the Provisions of Divisions 2 & 3 of Part XV of the SFO. For further details, please refer to page 62 of this Annual Report. From 1980 to 1993, Mr. Luo was employed by Haikou Qiongshan Medical Co., Ltd. (海口瓊山醫藥公司). Mr. Luo was employed as a sales manager for Guangzhou Biohope from December 1994 to August 1999. From August 1999 to September 2009, Mr. Luo held various positions in Biostime Guangzhou including the sales director and the director in charge of the Mama100 membership center. From September 2009 to December 2011, Mr. Luo was the general manager and director of a company formerly known as Biostime Health and Nutrition (Guangzhou) Limited (now known as Leseil Health and Nutrition (Guangzhou) Limited), where he was responsible for the overall strategies and business development. 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. Mr. Luo has also completed the EMBA course at Fudan University (復旦大學) in Shanghai and was awarded an EMBA degree in July 2012. Mr. Luo is the elder brother of Mr. Luo Fei, the Chairman of the Board and one of the Company's executive Directors.

Mr. Chen Fufang (陳富芳), aged 52, is a non-executive Director of the Company. Mr. Chen was appointed as a non-executive Director on 12 May 2010, and is also a director of the Company's subsidiaries Biostime Guangzhou, Biostime Health, BMcare Guangzhou, Biostime Education, Biostime Investment, Biostime Hong Kong, Parenting Power Holdings, Parenting Power Investment, Parenting Power Hong Kong, Mama100 Holdings, Mama100 Investment, Mama100 Hong Kong, Guangzhou Hapai and Mama100 E-commerce. Mr. Chen is also a director of the Company's substantial shareholder Biostime Pharmaceuticals with discloseable interests in the shares of the Company under the Provisions of Divisions 2 & 3 of Part XV of the SFO. For further details, please refer to page 62 of this Annual Report. Mr. Chen has been a director and the general manager of Guangzhou Biohope since March 1999, and its legal representative since June 2010, where he oversees overall business operations and management. Prior to that, Mr. Chen 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. Mr. Chen 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Ngai Wai Fung (魏偉峰), aged 54, is an independent non-executive Director of the Company. Dr. Ngai was appointed as an independent non-executive Director on 12 July 2010 and is the chairman of the Audit Committee of the Company. Dr. Ngai is the managing director of MNCOR Consulting Limited and the chief executive officer of SW Corporate Services Group Limited, a specialty company secretarial corporate governance and compliance services provider to companies in pre-IPO and post-IPO stages. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider. He has over 20 years of senior management experience including acting as the executive director, chief financial officer and company secretary, most of which are in the areas of finance, accounting, internal control and regulatory compliance, corporate governance and secretarial work for listed issuers including major red chips companies. He had led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities. Dr. Ngai is the Immediate Past President of the Hong Kong Institute of Chartered Secretaries (the "HKICS") and the Adjunct Professor of Law of Hong Kong Shue Yan University. Dr. Ngai was an independent non-executive director of China Life Insurance Company Limited from December 2006 to May 2009, an independent non-executive director of Franshion Properties (China) Limited from May 2007 to June 2011, an independent non-executive director of China Railway Construction Corporation Limited from November 2007 to October 2014 and independent director of Sany Heavy Equipment International Holdings Company Limited from November 2009 to December 2015. In addition, Dr. Ngai is currently an independent non-executive director or independent director and a member or chairman of the audit committee of the below companies:

Company Name (English)	Company Name (Chinese)	Name of Stock Exchange	Stock Code	Appointment Date
BaWang International (Group) Holding Limited	霸王國際(集團)控股有限公司	Main Board	1338	December 2008
Bosideng International Holdings Limited	波司登國際控股有限公司	Main Board	3998	September 2007
China Coal Energy Company Limited	中國中煤能源股份有限公司	Main Board	1898	December 2010
Beijing Capital Juda Limited	首創鉅大有限公司	Main Board	1329	December 2013
LDK Solar Co., Ltd.	不適用	Listed on OTC Pink Limited Information	LDKYQ	July 2011
Powerlong Real Estate Holdings Limited	寶龍地產控股有限公司	Main Board	1238	June 2008
SITC International Holdings Company Limited	海豐國際控股有限公司	Main Board	1308	September 2010
China Railway Group Limited	中國中鐵股份有限公司	Main Board	390	June 2014
Yangtze Optical Fibre and Cabe Joint Stock Limited Company	長飛光纖光纜股份有限公司	Main Board	6869	September 2014

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Dr. Ngai is a fellow 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 and Investment Institute. Dr. Ngai obtained a master's degree in corporate finance at Hong Kong Polytechnic University in 2002 and a master's degree in business administration at Andrews University of Michigan in 1992 and a doctorate in Economics (Finance) at Shanghai University of Finance and Economics (上海財經大學) in 2011. Dr. Ngai was appointed by the Chief Executive of The Hong Kong Special Administrative Region as a member of Working Group on Professional Services under the Economic Development Commission for two years in 2013 and reappointed for further two years in 2015, a member of Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants, and a member of the General Committee of the Chamber of Hong Kong Listed Companies.

Dr. 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.

Mr. Tan Wee Seng (陳偉成), aged 60, is an independent non-executive Director of the Company. Mr. Tan was appointed as an independent non-executive Director on 12 July 2010 and is the chairman of the Company's Remuneration Committee. Mr. Tan is also an independent non-executive director of Xtep International Holdings Limited (Stock Code: 1368), an independent non-executive director of Sa Sa International Holdings Limited (Stock Code: 178) and an independent non-executive director and chairman of the audit committee of CIFI Holdings (Group) Company Limited (Stock Code: 884), the shares of all of which are listed on the Main Board of the Stock Exchange. In addition, Mr. Tan is an independent director of Renesola Ltd (Stock Code: SOL), the shares of which are listed on the NYSE. Mr. Tan is an independent non-executive director of Sinopharm Group Company Limited (Stock Code: 1099). Mr. Tan is also a board member and chairman of the finance committee of Beijing City International School, an academic institution in Beijing. Mr. Tan has been appointed as an independent director and chairman of the audit committee of 7 Days Group Holdings Limited listed on the NYSE between November 2009 and July 2013 until it was privatized. He was the chairman of the special committee for the privatization of 7 Days Group Holdings Limited from October 2012 to July 2013. Mr. Tan has over 30 years of financial management, corporate finance, merger and acquisition, business management and strategy development experience. Mr. Tan has held various management and senior management positions in a number of multi-national corporations. Mr. Tan was previously the managing director of AFE Computer Services Limited, a Reuters subsidiary located in Hong Kong which was mainly engaged in domestic equity and financial information services; director of Infocast Pty Limited, a Reuters subsidiary in Australia; and the regional finance manager of Reuters East Asia. From 1999 to 2002, Mr. Tan was the senior vice president of Reuters for China, Mongolia and North Korea regions, and the chief representative of Reuters in China. From 2003 to 2008, Mr. Tan was an executive director, chief financial officer and company secretary of Li Ning Company Limited, the shares of which are listed on the Main Board of the Stock Exchange. Mr. Tan is a professional accountant and a fellow member of the Chartered Institute of Management Accountants in United Kingdom, and the Hong Kong Institute of Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Professor Xiao Baichun (蕭柏春), aged 68, is an independent non-executive Director of the Company. Professor Xiao 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 the business operations of the Company in matters relating to corporate governance practices. From September 1990, he was with Seton Hall University as an assistant professor and was promoted to associate professor with tenure in April 1994 and to professor in March 1999. He was also the chairman of computing and decision sciences department of Seton Hall University from 1995 to 1997. 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 2003. 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 2004, a visiting professor of Chinese University of Hong Kong (香港中文大學) since 2004, 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) from 2004 to 2010, a distinguished professor of EMBA program in Fudan University (復旦大學) since 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, and "Teaching Excellence Award" from Peking University (北京大學) in 2012. Professor Xiao was named as Fulbright Senior Scholar by US Fulbright Foundation in 2012. 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. Zhu Dingping (朱定平), aged 40, joined the Group in February 2007 and has been the General Manager for the project department of Baby Nutrition and Care (the "BNC") of the Group since October 2015. Before that, Mr. Zhu was our senior sales director and was mainly responsible for the overall sales affairs. Prior to joining the Group, he had over 10 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 obtained a certificate of pharmacist (藥師資格證) by the Professional Titles Reform Work 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. He has completed the China Europe International Business School (中歐國際工商學院) CMO training course and received the certificate of completion in July 2014. He had completed the EMBA courses of Management School, Jinan University (暨南大學管理學院) and obtained a master's degree in December 2015. He is currently serve for the enterprise institute of Jinan University, act as a part time researcher.

SENIOR MANAGEMENT (Continued)

Dr. Patrice Malard, aged 62, joined the Group as our chief scientific officer and General Manager of Biostime Pharma (a subsidiary of the Company in France) in October 2010 and was appointed as the chief technology officer of the Company as well as the general manager of the technology center of Biostime Health in June 2012. He is responsible for research and development, product quality control and technology development. He was the scientific consultant of Biostime Guangzhou from 1 March 2008 to 30 September 2010. Dr. Patrice has approximately 30 years of experience in the nutrition products industry. From October 1981 to March 1990, he worked for Gist Brocades SA as a science director in the field of industrial enzymes. From April 1990 to June 1991, he was employed by CPIAA SA, an agro-consulting group, as a manager. From June 1991 to November 1994, he was the strategy and development director of the French subsidiary of Pioneer Hi-Bred in agro-seeds. He also has worked as a director of Silab Sarl in cosmetic ingredients and sales and Business development director of Lallemand SAS Human Nutrition division for the period from February 1995 to October 2007. From March 2008 till now, he is 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.

Ms. Laetitia Garnier (安玉婷), aged 35, joined the Group in July 2010. She is the General Manager of Group strategy and international business department of the Group since October 2015 and is mainly responsible for Group strategy, acquisitions and investments, investor Relation and management of group international operations and business development. From December 2003 to August 2010, she worked for French Trade Commission in South China and was mainly responsible for providing lobbying and support to French companies partnering, 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 to June 2001, the Banque Populaire Group in Paris from July 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 38, joined the Group in March 2007. He is the Chief Finance Officer of the Group and is mainly responsible for the overall financial and accounting affairs as well as IT management of the Group. He has approximately 10 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 also obtained the MBA degree of Carlson School of Management, University of Minnesota (明尼蘇達大學卡爾森管理學院) in July 2013. 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 (註冊稅務師) by the Department of Human Resources of Guangdong Province (廣東省人事廳) in June 2005.

SENIOR MANAGEMENT (Continued)

Mr. Hu Xiaocheng (胡曉成), aged 39, joined the Group in November 2004 and has been the director of the E-commerce business department of the Group since October 2015. Before that, Mr. Hu was our retail sales organization channel director. His experience is mainly in the sector of marketing and sales. He worked as a sales specialist for the Beijing s ales 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 promoted to be our retail sales organization channel director in September 2011 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. Liu Shifeng (劉世鋒), aged 37, has been appointed the general manager of the northern district of BNC business department of the Group since October 2015. He joined the Group in May 2004 as the supervisor in charge of Shaoxin office and was promoted to be the provincial manager of Hubei province in August 2005, manager of the Hubei and Henan provinces in August 2006, director of the Hubei and Henan provinces in July 2012, area director for Hubei province in 2013, and director of the brand project department of "ADIMIL" in January 2014. Mr. Liu studied in the Jinggangshan Medical College (井崗山醫學高等專科學校) majoring in clinical medicine from September 1997 to July 2000. After graduation, he was employed by the Guangzhou Division of Wangson Biotechnology Groups Inc. (美國華盛集團廣州分部) as an OTC supervisor from August 2000 to April 2001. Mr. Liu worked in Guangzhou Xiangxue Pharmaceutical Co., LTD. (廣州市香雪制藥) as an OTC supervisor in 2001 and was promoted to be a district supervisor in 2002. Mr. Liu has also enrolled in the EMBA courses of management school of Xiamen University (廈門大學) since September 2011. He has also completed general manager course of the China Europe International Business School (中歐國際工商學院) in December 2015.

Mr. Peng Jiahua (**彭家華**), aged 39, has been the general manager of the southern district of BNC business department of the Group since October 2015. He joined the Group in May 2003 as the supervisor in charge of Dongguan office and was promoted to be the provincial manager of Jiangxi province in September 2005, manager of the Hunan and Jiangxi provinces in March 2005, director of the Hunan, Jiangxi and Guangxi provinces in July 2012, area director for Hunan and Jiangxi province in 2013. Mr. Peng studied in the Jinggangshan Medical College (井崗山醫學高等專科學校) majoring in clinical medicine from September 1997 to July 2000. After graduation, he was employed by the Shantou office of Jiangxi Ban Bian Tian Pharmaceutical Co., LTD (江西半邊天藥業) as a terminal promotion representative from August 2000 to January 2001. Mr. Peng worked in Dongguan office of Huahong Pharmaceutical Co., LTD. (花紅藥業) as an OTC supervisor in 2001. Mr. Peng has also enrolled in the EMBA courses of management school of Xiamen University (廈門大學) since September 2011.

SENIOR MANAGEMENT (Continued)

Mr. Tang Haigang (湯海剛), aged 44, joined the Group as Supply Chain Director in October 2014 and has been appointed the managing director of operation center of the Group in October 2015. Mr. Tang has strong backgrounds in sourcing and quality assurance, as well as good experience in general management. He worked as a quality engineer in Effem Foods (Beijing) Co., Ltd. (愛芬食品(北京)有限公司) from July 1994 to February 1998. Following that, he worked for Procter & Gamble (China) Co., Ltd. (寶潔(中國)有限公司) as QA Manager and later as Senior Purchasing Manager from March 1998 to February 2003. From March 2003 to December 2004, Mr. Tang worked as Deputy General Manager at Intercos Cosmetics (Suzhou) Co., Ltd. (瑩特麗化妝品(蘇州)有限公司). After that, he joined Johnson & Johnson and served as Associate Sourcing Director (Asia Pacific) till July 2012. Prior to joining the Group, Mr. Tang worked for Revlon China as Asia Pacific Sourcing Director from August 2012 to May 2014. Mr. Tang holds an MBA degree from Jinan University and a Bachelor's Degree in Engineering (Machine Design and Manufacturing) from South China University of Technology.

Mr. Zhang Qizhang (張琦章), aged 32, joined the Group in June 2014. He has been appointed the director of integrated marketing center of the Group in April 2015. Before that, he was the director in charge of the marketing, Biostime Business Unit and assumed additional responsibility as Director of Corporate Innovation Marketing Center. Mr. Zhang obtained his bachelor's degree in public management in Renmin University of China (中國人民大學) in June 2007. After graduation, he was employed by Procter & Gamble (China) Co., Ltd. (寶潔(中國)有限公司) as a brand manager at the marketing department until May 2014.

Ms. Yang Wenyun (**楊文筠**), aged 32, joined the Group in August 2005 and was appointed as one of the joint company secretaries of the Company on 12 July 2010. She has been the director of Corporate Affairs and Human Resources department in October 2015. Before that, she was the senior manager of the Listing Affairs and Risk Management Department and was promoted to be the director of the Department in January 2014. Ms. Yang started her professional career with the Group and has obtained substantial experience in administration, corporate governance, legal affairs, risk management and public relations over the past eight years with the Group. From August 2005 to December 2008, she worked as an assistant of public affairs and was mainly responsible for the legal affairs and public relations of the Group. Concurrently, being an assistant to the general manager since November 2006, she was responsible for part of administrative affairs of the Group. From December 2008 to February 2010, she was promoted to be the legal manager of the Group and was responsible for the overall legal affairs and public relations. In February 2010, she assumed the responsibility of leading the risk control department. Ms. Yang is now mainly in charge of administrative affairs, listing affairs, legal affairs 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.

JOINT COMPANY SECRETARIES

Ms. Wong Tak Yee (黃德儀), aged 59, was appointed as one of the joint company secretaries of the Company 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 a fellow 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.

JOINT COMPANY SECRETARIES (Continued)

Ms. Yang Wenyun (楊文筠). Her biography is set out in the Senior Management section of Biography of Directors and Senior Management of this Annual Report.

As disclosed in the Company's prospectus dated 3 December 2010, as Ms. Yang did not possess the qualifications required under the then Rule 8.17 of the Listing Rules, the Group had applied to the Stock Exchange for, and had been granted, a waiver from the listing date (17 December 2010). Upon expiration of such waiver on 17 December 2013, the Company had re-evaluated the relevant experience Ms. Yang had obtained during the above mentioned three-year period, and had demonstrated to the Stock Exchange that Ms. Yang is qualified to act as the company secretary of the Company under Rule 3.28 of the Listing Rules, which was agreed by the Stock Exchange on 17 March 2014.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the 2015 Interim Report of the Company are set out below:

Name of Director	Details of Changes
Luo Fei	Appointed on 30 September 2015 as a director of Swisse and certain of its subsidiaries.
Ngai Wai Fung	Appointed as an independent non-executive director of BBMG Corporation on 27 November 2015, a company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2009).
	Appointed as an independent non-executive director of TravelSky Technology Limited on 26 January 2016, a company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 696).
	Appointed as an independent non-executive director of Topsearch International (Holdings) Limited on 22 March 2016, a company listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2323).
Tan Wee Seng	Appointed as chairman of the audit committee with effect from 8 March 2016 (instead of remuneration committee) of Sinopharm Group Company Limited (Stock Code: 1099).
	Appointed as chairman of the audit committee with effect from 8 March 2016 of Renesola Ltd (Stock Code: SOL).

DIRECTORS' REPORT

The Board hereby presents its report and the audited financial statements of the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company of the Group and is also engaged in overseas purchase. 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 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2015 are set out in note 1 to the financial statements.

BUSINESS REVIEW

The business review of the Group as at 31 December 2015 is set out in the section headed "Chairman's Statement" and "Management Discussion and Analysis" from pages 7 to 11 and pages 12 to 17 of this Annual Report.

RESULTS AND DISTRIBUTION

The results of the Group for the year ended 31 December 2015 are set out in the consolidated financial statements on pages 80 to 86 of the Annual Report. No interim dividend or final dividend in respect of the six months ended 30 June 2015 and the year ended 31 December 2015 was declared.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2016 AGM

The forthcoming AGM will be held on Friday, 13 May 2016 (the "2016 AGM"). The register of members of the Company will be closed from Wednesday, 11 May 2016 to Friday, 13 May 2016, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the entitlement to attend and vote at the 2016 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 Tuesday, 10 May 2016.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2015 are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Group during the year ended 31 December 2015 are set out in note 32 to the financial statements.

RESERVE

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2015 are set out in note 35 and note 48 respectively to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves, including the share premium account and contributed surplus and retained profits, 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 RMB4,665.9 million. Details of the reserves of the Company as at 31 December 2015 are set out in note 48 to the financial statements.

CHARITABLE DONATIONS

The Group's donation to charity includes the donation of RMB0.1 for each box or can of any of the Group's products sold to Biostime China Foundation for Mother and Child established by the Group in cooperation with the Chinese Red Cross Foundation since 2007. For each of the three years ended 31 December 2013, 2014 and 2015, the Group's donations to charity were RMB3.8 million, RMB6.6 million and RMB3.9 million, respectively.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on pages 183 to 184. 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 their associates or any of the shareholders of the Company had any interest in any of the five largest customers of the Group.

For the year ended 31 December 2015, the largest supplier of the Group is Laiterie de Montaigu – SAS Sabourin ("Montaigu"). Founded in 1932 and located in the West of France, Montaigu is an independent family business. It produces and markets fresh products (including milk, butter, cream, etc) for the general public and professionals and dry products (including milk powder for adults and infant milk powder sold under white label). Its continuous and substantial investments in R & D notably dissociate it from most of its global competitors and its efforts are crowned by a patent in 2006 on the modeling of drying procedures of the infant milk powder.

Purchases by the Group from the largest supplier amounted to RMB638.0 million in 2015, accounting for 25.6% of the total purchases of the Group for the year, while the purchases made from the five largest suppliers amounted to RMB1,703.0 million, accounting for 68.3% of the total purchases of the Group for the year. None of the Directors 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 ended 31 December 2015 and up to the date of the Annual Report were as follows:

Executive Directors

Mr. Luo Fei
Ms. Kong Qingjuan (resigned on 21 January 2016)
Mr. Radek Sali (appointed on 21 January 2016)

Non-executive Directors

Dr. Zhang Wenhui
Mr. Wu Xiong
Mr. Luo Yun
Mr. Chen Fufang

Independent non-executive Directors

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

Pursuant to Article 83(3) of the Company's Articles of Association (the "Articles"), Mr. Radek Sali shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. As such, Mr. Radek Sali shall retire from office and be subject to re-election at the 2016 AGM.

In accordance with Articles 84(1) and 84(2) of the Articles, Mr. Luo Fei, Dr. Zhang Wenhui and Professor Xiao Baichun, shall retire from office by rotation and being eligible, offer themselves for re-election at the 2016 AGM.

DIRECTORS' SERVICE CONTRACTS

Mr. Luo Fei, an executive Director had entered into a service contract with the Company for an initial fixed term of three years from 17 December 2010 to 16 December 2013, and automatically renewed for a term of three years commencing on 17 December 2013, 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. Mr. Radek Sali, the other executive Director, had entered into a service contract with the Company for an initial period of three years commencing on 21 January 2016. 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.

On 7 November 2013, three of the non-executive Directors, namely Mr. Wu Xiong, Mr. Luo Yun and Mr. Chen Fufang, respectively entered into a letter of appointment for a term of three years commencing on 17 December 2013, automatically renewable upon expiration, until terminated by not less than one month's notice in writing served by either party on the other. Dr. Zhang Wenhui had entered into a letter of appointment as a non-executive Director with the Company for an initial term of three years from 25 June 2012 to 24 June 2015, and automatically renewed for a term of three years commencing on 25 June 2015, until terminated by not less than one month's notice in writing served by either party on the other. Each of the non-executive Directors is entitled to a director's fee pursuant to their respective letters of appointment and/or supplementary agreements with the Company dated 29 November 2012.

Each of the independent non-executive Directors had entered into a letter of appointment for a term of three years from 17 December 2012 to 16 December 2015, and automatically renewed for a term of three years commencing on 17 December 2015, 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 2016 AGM has a service contract 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 ended 31 December 2015 are set out in note 8 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 36 to 45 of the Annual Report.

EMOLUMENT 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 Mainland China, 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, a Share Option Scheme, a Share Award Scheme and a 2013 Share Award Scheme (each as defined below) for its employees.

None of the Directors waived any emoluments during the year ended 31 December 2015.

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 2015, the interests and short positions of the Directors and the chief executive of the Company and their respective close associates in the share capital, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of 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**	**Shares or underlying shares (under equity derivatives of the Company)**	**Approximate percentage of interest in the Company** *(Note 7)*
Luo Fei	Beneficial owner	Long position	621,239 *(Note 1)*	0.099%
	Beneficial owner	Long position	414,093 *(Note 2)*	0.066%
	Beneficial owner	Long position	332,131 *(Note 3)*	0.053%
	Beneficiary of a trust	Long position	450,000,000 *(Note 4)*	71.419%
Luo Yun	Beneficiary of a trust	Long position	450,000,000 *(Note 4)*	71.419%
Kong Qingjuan	Beneficial owner	Long position	381,558 *(Note 1)*	0.061%
	Beneficial owner	Long position	308,982 *(Note 2)*	0.049%
	Beneficial owner	Long position	201,994 *(Note 5)*	0.032%
Ngai Wai Fung	Beneficial owner	Long position	100,000 *(Note 6)*	0.016%
Tan Wee Seng	Beneficial owner	Long position	100,000 *(Note 6)*	0.016%
Xiao Baichun	Beneficial owner	Long position	100,000 *(Note 6)*	0.016%

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

Note 1: These are the shares subject to the exercise of the Pre-IPO Share Options granted by the Company under the Pre-IPO Share Option Scheme on 16 July 2010. Details of the Company's Pre-IPO Share Option Scheme are set out in the section headed "Share Option Schemes — Pre-IPO Share Option Scheme" below.

Note 2: These are the shares subject to the exercise of the Share Options granted by the Company under the Share Option Scheme on 29 December 2015. Details of the Company's Share Option Scheme are set out in the section headed "Share Option Schemes —Share Option Scheme" below.

Note 3: These are the awarded shares (the "Awarded Shares") granted by the Company under the Share Award Scheme, including 97,000 Awarded Shares granted on 30 March 2012, 55,000 Awarded Shares granted on 3 July 2012, 30,500 Awarded Shares granted on 25 March 2013, 11,600 Awarded Shares granted on 10 October 2014 and 138,031 Awarded Shares granted on 31 December 2015. Details of the Company's Share Award Scheme are set out in the section headed "Share Award Scheme" below.

Note 4: As at 31 December 2015, Biostime Pharmaceuticals (China) Limited was owned as to 47.71% by Coliving Limited, and therefore, Biostime Pharmaceuticals (China) Limited was deemed to be controlled by Coliving Limited.

Coliving Limited is owned as to 59.00% by Flying Company Limited and 41.00% by Sailing Group Limited, and therefore, Coliving Limited is deemed to be controlled by each of Flying Company Limited and Sailing Group Limited.

UBS Trustees (BVI) Limited, the trustee of each of the family trusts set up by Mr. Luo Fei as the settlor ("Mr. Luo Fei's Family Trust") and Mr. Luo Yun as the settlor ("Mr. Luo Yun's Family Trust"), through its nominee UBS Nominees Limited, holds the entire issued share capital of Flying Company Limited and Sailing Group Limited as the respective trust assets under Mr. Luo Fei's Family Trust and Mr. Luo Yun's Family Trust. Mr. Luo Fei and Mr. Luo Yun are Directors of the Company. The beneficiaries of Mr. Luo Fei's Family Trust and Mr. Luo Yun's Family Trust are Mr. Luo Fei and his family members, and Mr. Luo Yun and his family members, respectively.

Note 5: These are the Awarded Shares granted by the Company under the Share Award Scheme, including 46,000 Awarded Shares granted on 30 March 2012, 29,000 Awarded Shares granted on 3 July 2012, 18,000 Awarded Shares granted on 25 March 2013, 6,000 Awarded Shares granted on 10 October 2014 and 102,994 Awarded Shares granted on 31 December 2015. Details of the Company's Share Award Scheme are set out in the section headed "Share Award Scheme" below.

Note 6: These are the shares subject to the exercise of the Share Options granted by the Company under the Share Option Scheme on 16 December 2011. Details of the Company's Share Option Scheme are set out in the section headed "Share Option Schemes – Share Option Scheme" below.

Note 7: As at 31 December 2015, the total number of the issued shares of the Company was 630,080,426.

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 2015.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2015.

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

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include the Company's Directors (including independent non-executive Directors), other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholders in the Company's subsidiaries. The Share Option Scheme became effective on 25 November 2010 and, unless otherwise cancelled or amended, will remain in force for ten years from that date. As at 31 December 2015, the remaining life of the Share Option Scheme was approximately 4 years and 11 months.

The maximum number of shares which may be issued upon exercise of all outstanding share options (the "Share Options") granted and yet to be exercised under the Share Option Scheme and any other schemes of the Group shall not exceed 30% of the total number of shares in issue of the Company from time to time.

The maximum number of shares which may be issued upon exercise of all Share Options to be granted under the Share Option Scheme and any other schemes of the Group shall not, in aggregate, exceed 10% of the total number of shares in issue of the Company as at the date of listing of the Company on the Main Board of the Stock Exchange (the "Listing Date"). The maximum number of shares issued and to be issued upon exercise of the Share Options granted to any eligible participant in the Share Option Scheme in any 12-month period shall not exceed 1% of the shares of the Company in issue from time to time. Any further grant of Share Options in excess of this limit is subject to shareholders' approval in a general meeting.

Share Options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their close associates, are subject to approval in advance by the independent non-executive Directors (excluding the independent non-executive Directors who or whose close associates are the grantees of a Share Option). In addition, any grant of Share Options to a substantial shareholder or an independent non-executive Director of the Company, or to any of their close associates, would result in the securities issued and to be issued upon exercise of all Share Options already granted and to be granted (including Share Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and (b) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5 million, such further grant of Share Options must be approved by shareholders of the Company (voting by way of a poll).

The offer of a grant of Share Options may be accepted within 28 days from the date of offer, upon payment of a consideration of HK$1 by the grantee. The exercise period of the Share Options granted will be determined by the Board of Directors of the Company in its absolute discretion, save no Share Option may be exercised more than ten years after it has been granted on the date of acceptance of such Share Option. Subject to such terms and conditions as the Board may determine, there is no minimum period for which a Share Option must be held before it can be exercised.

SHARE OPTION SCHEMES (Continued)

Share Option Scheme (Continued)

The exercise price of Share Options is determined by the Board, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the Share Options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

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

During the year ended 31 December 2015, 18,868,509 Share Options to subscribe for 18,868,509 ordinary shares of HK$0.01 each in the share capital of the Company were granted to grantees (the "Grantees") under the Share Option Scheme on 29 December 2015 (the "Date of Grant") at an exercise price of HK$15.58 per share. The closing prices of the shares immediately before the Date of Grant was HK$15.58.

Particulars and movements of Share Options under the Share Option Scheme during the year ended 31 December 2015 by category of Grantees were as follows:

			Number of Share Options				
Category of Grantees	Date of grant (DD/MM/YYYY)	Exercise price per Share	Outstanding as at 1 January 2015	Granted during the year ended 31 December 2015	Exercised during the year ended 31 December 2015	Lapsed during the year ended 31 December 2015	Outstanding as at 31 December 2015
Directors							
Dr. Ngai Wai Fung	16/12/2011	HK$12.12	100,000	–	–	–	100,000
Mr. Tan Wee Seng	16/12/2011	HK$12.12	100,000	–	–	–	100,000
Prof. Xiao Baichun	16/12/2011	HK$12.12	100,000	–	–	–	100,000
Mr. Luo Fei	29/12/2015	HK$15.58	–	414,093	–	–	414,093
Ms. Kong Qingjuan	29/12/2015	HK$15.58	–	308,982	–	–	308,982
Sub-total			300,000	723,075	–	–	1,023,075
Other employees	09/06/2011	HK$15.312	531,955	–	(133,383)[1]	(110,526)	288,046
	29/11/2011	HK$11.52	543,594	–	(140,088)[2]	(89,630)	313,876
	01/06/2012	HK$19.64	445,530	–	(69,163)[3]	(77,924)	298,443
	07/12/2012	HK$24.70	917,741	–	(157,118)[4]	(163,425)	597,198
	29/12/2015	HK$15.58	–	18,145,434	–	–	18,145,434
Total			2,738,820	18,868,509	(499,752)	(441,505)	20,666,072[5]

SHARE OPTION SCHEMES (Continued)

Share Option Scheme (Continued)

Note 1: The weighted average closing price of these shares immediately before the dates on which the relevant Share Options were exercised is HK$35.37.

Note 2: The weighted average closing price of these shares immediately before the dates on which the relevant Share Options were exercised is HK$32.87.

Note 3: The weighted average closing price of these shares immediately before the dates on which the relevant Share Options were exercised is HK$35.18.

Note 4: The weighted average closing price of these shares immediately before the dates on which the relevant Share Options were exercised is HK$37.13.

Note 5: As at 29 March 2016, the Board confirmed that out of these outstanding Share Options, there were 851,604 Shares Options of which the vesting conditions had not been fulfilled and therefore would not be exercised.

All Share Options granted since the adoption of the Share Option Scheme till 31 December 2012 shall vest in the Grantees in accordance with the timetable below with a 6-year exercise period (for this purpose, the date or each such date on which the Share Options are to vest being hereinafter referred to as a "Vesting Date"):

Vesting Date	Percentage of Share Options to vest
Any time after the third anniversary of 17 December 2010	30% of the total number of Share Options granted
Any time after the fourth anniversary of 17 December 2010	30% of the total number of Share Options granted
Any time after the fifth anniversary of 17 December 2010	40% of the total number of Share Options granted

Among the 18,145,434 Shares Options granted to other employees on 29 December 2015, 2,732,019 Share Options (the "2015 Group 1 Share Options") shall vest in the Grantees in accordance with the timetable below with a 6-year exercise period:

Vesting Date	Percentage of Share Options to vest
1 April 2017	30% of the total number of the 2015 Group 1 Share Options
1 April 2018	30% of the total number of the 2015 Group 1 Share Options
1 April 2019	40% of the total number of the 2015 Group 1 Share Options

SHARE OPTION SCHEMES (Continued)

Share Option Scheme (Continued)

Among the 18,145,434 Shares Options granted to other employees on 29 December 2015, 15,413,415 Share Options, together with the Share Options granted to Mr. Luo Fei and Ms. Kong Qingjuan on 29 December 2015, a total of 16,136,490 Share Options (the "2015 Group 2 Share Options") shall vest in the Grantees in accordance with the timetable below with a 6-year exercise period:

Vesting Date	Percentage of Share Options to vest
30 December 2016	50% of the total number of the 2015 Group 2 Share Options
1 November 2017	30% of the total number of the 2015 Group 2 Share Options
1 November 2018	20% of the total number of the 2015 Group 2 Share Options

Save as disclosed above, none of the Grantees is a Director, chief executive or substantial shareholder of the Company, or their respective associates (as defined in the Listing Rules).

No Share Options granted under the Share Option Scheme was cancelled during the year ended 31 December 2015.

The total number of shares available for issue under the Share Option Scheme is 57,165,682, representing approximately 9.07% of the Company's issued share capital as at the date of this Annual Report.

Pre-IPO Share Option Scheme

The purpose of the pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") is to give the Directors, senior management, employees and business partners of the Company an opportunity to have a personal stake in the Company and help motivate the Directors, senior management, employees and business partners to optimize their performance and efficiency to the 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 the Group. The principal terms of the Pre-IPO Share Option Scheme, approved by a written resolution of the sole Shareholder of the Company 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 (the "Pre-IPO Share 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;

SHARE OPTION SCHEMES (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 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.

A total of 11,150,249 shares options were granted to 329 participants by the Company on 16 July 2010 under the Pre-IPO Share Option Scheme, including 3 Directors and 14 members of the senior management of the Group, at a consideration of HK$1.00 paid by each grantee. During the year ended 31 December 2015, 40 employees were no longer eligible for Pre-IPO Share Options due to such employees' failure to meet performance target or retirement, and as a result, a total of 543,706 Pre-IPO Share Options lapsed accordingly. Particulars and movements of Pre-IPO Share Options under the Pre-IPO Share Option Scheme during the year ended 31 December 2015 by category of grantees are set out below:

	Number of Pre-IPO Share Options			
Category of grantees	**Outstanding as at 1 January 2015**	**Exercised during the year ended 31 December 2015**	**Lapsed during the year ended 31 December 2015**	**Outstanding as at 31 December 2015**
Directors				
Mr. Luo Fei	621,239	–	–	621,239
Ms. Kong Qingjuan	381,558	–	–	381,558
Sub-total	1,002,797	–	–	1,002,797
Others				
Senior management members	1,907,322	(762,692)[(1)]	(281,086)	863,544
Other employees	3,918,756	(1,479,132)[(2)]	(262,620)	2,177,004
Business partners	100,000	–	–	100,000
Sub-total	5,926,078	(2,241,824)	(543,706)	3,140,548
Total	6,928,875	(2,241,824)	(543,706)	4,143,345[(3)]

SHARE OPTION SCHEMES (Continued)

Pre-IPO Share Option Scheme (Continued)

Note 1: The weighted average closing price of these shares immediately before the dates on which the relevant Pre-IPO Share Options were exercised is HK$36.12.

Note 2: The weighted average closing price of these shares immediately before the dates on which the relevant Pre-IPO Share Options were exercised is HK$31.90.

Note 3: As at 29 March 2016, the Board confirmed that out of these outstanding Pre-IPO Share Options, there were 3,012,209 Pre-IPO Share Options of which the vesting conditions had not been fulfilled and therefore would not be exercised.

No Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme was cancelled during the year ended 31 December 2015.

The total number of shares available for issue under the Pre-IPO Share Option Scheme is 4,143,345, representing approximately 0.66% of the Company's issued share capital as at the date of this Annual Report.

SHARE AWARD SCHEME

A share award scheme (the "Share Award Scheme") of the Company was adopted by the Board on 28 November 2011 (the "Adoption Date") and amended by the Board on 30 March 2012. The purpose of the Share Award Scheme is to recognize the contributions of certain Directors, senior management and employees of the Company and its subsidiaries and to retain and motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.

Subject to the terms of the Share Award Scheme and the Listing Rules, the Board may at any time make an offer to any eligible person it may in its absolute discretion select to accept the grant of an award over such number of shares as it may determine. Shares will be acquired by the independent trustee of the Share Award Scheme on the market out of the funds contributed by the Company and be held in trust for the relevant participants in accordance with the provisions of the Share Award Scheme. The vesting period shall, in any event, be no longer than ten years.

The Board shall not make any further award which will result in the number of shares awarded by the Board under the Share Award Scheme would represent in excess of 10% of the issued share capital of the Company as at the Adoption Date. In any event, the unvested shares held by the trustee at any time shall be less than 5% of the issued share capital of the Company. The maximum number of shares which may be awarded to a participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date.

Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date.

Details of the Share Award Scheme are set out in the Company's announcements dated 28 November 2011 and 30 March 2012.

SHARE AWARD SCHEME (Continued)

During the year ended 31 December 2015, the Board neither arranged any funds to be paid to the trustee of the Share Award Scheme for purchasing of shares of the Company on the Stock Exchange, nor the trustee of the Share Award Scheme purchased any shares of the Company on the Stock Exchange.

On 31 December 2015, the Board resolved to grant a total of 932,817 awarded shares to 11 employees by way of allocation of shares of the Company previously awarded under the Share Award Scheme which did not vest and were lapsed and which were then held by the trustee pursuant to the Share Award Scheme.

Summary of particulars of the Award Shares during the year ended 31 December 2015 is as follows:

					Number of Awarded Shares		
Date of grant	**Number of Awarded Shares granted**		**Approximate percentage of the Company's share capital as at the Adoption Date**	**Vesting date**	**Vested as at 31 December 2015**	**Forfeited/ lapsed as at 31 December 2015**	**Outstanding (held by the trustee for the grantees) as at 31 December 2015**
10 October 2014	645,600	*(Note 1)*	0.110%	30 October 2015	–	(645,600)	–
31 December 2015	932,817	*(Note 2)*	0.155%	31 December 2016	–	–	932,817
Total	1,578,417		0.265%		–	(645,600)	932,817

Note 1: Among these Awarded Shares granted, 11,600 Awarded Shares were granted to Mr. Luo Fei, the Chief Executive Officer, an executive Director and the Chairman of the Company, and 6,000 Awarded Shares were granted to Ms. Kong Qingjuan, the Chief Operating Officer and an executive Director.

Note 2: Among these Awarded Shares granted, 138,031 Awarded Shares were granted to Mr. Luo Fei, the Chief Executive Officer, an executive Director and the Chairman of the Company, 102,994 Awarded Shares were granted to Ms. Kong Qingjuan, the Chief Operating Officer and an executive Director, and 619,685 Awarded Shares were granted to 4 participants who were directors of subsidiaries of the Company.

Further details in relation to the Share Award Scheme are set out in note 34 to the financial statements of this Annual Report.

SHARE AWARD SCHEME (Continued)

2013 Share Award Scheme

The Board also adopted a 2013 share award scheme (the "2013 Share Award Scheme") on 29 November 2013, which was further amended on 14 May 2015. It is implemented in parallel with the Share Award Scheme. The purposes of the 2013 Share Award Scheme are to recognize the contributions by certain employees of the Group, to give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

The Board may from time to time at its absolute discretion select any employee who is eligible to participate in the 2013 Share Award Scheme (the "Selected Participant") or a group of Selected Participants for participation in the 2013 Share Award Scheme. Subject to the limit on the size of the 2013 Share Award Scheme as set out below, the Board shall (a) determine a number of awarded shares which it wishes to be the subject of an award under the 2013 Share Award Scheme, or (b) instruct the trustee to allocate Returned Shares (as defined below) as awarded shares to any Selected Participant(s).

For the purpose of satisfying awards granted under the 2013 Share Award Scheme, awarded shares shall be allotted and issued at par value by the Company, by using the general mandate granted to the Board by the shareholders of the Company in general meetings of the Company from time to time, unless separate shareholders' approval is obtained in a general meeting of the Company.

Subsequent to the grant of awards, the Board shall pay (or cause to be paid) sufficient funds to the trustee (or as it shall direct) from the Group's resources as soon as practicable following such funds being set aside for the subscription of the relevant awarded shares. After receiving the funds from the Company, the trustee shall apply the same towards the subscription of awarded shares at par at such time as agreed between the trustee and the Board from time to time but in any event no later than 40 business days before the vesting of the relevant awarded shares.

Such awarded shares shall then be held by the trustee for the Selected Participants in accordance with the provisions of the 2013 Share Award Scheme prior to vesting. The trustee shall not exercise any voting right attached in respect of any awarded shares held in trust by it under the 2013 Share Award Scheme (including but not limited to the awarded shares and any bonus shares and script shares derived from them).

Where, awarded shares (the "Returned Shares") which are referable to a Selected Participant, do not vest in accordance with the specified procedures, then the trustee shall hold such Returned Shares and any income deriving from it exclusively for the benefit of all or one or more of the Selected Participants in such manners and under such conditions in accordance with the instructions from the Board.

The Board shall not make any further award which will result in the number of shares awarded by the Board under the 2013 Share Award Scheme would represent in excess of 1.5% of the issued share capital of the Company as at the adoption date of the same. No sum of money shall be set aside and no awarded shares shall be subscribed pursuant to the 2013 Share Award Scheme, nor any amounts paid to the trustee for the purpose of making such a subscription, if, as a result of such subscription, the number of awarded shares administered under the 2013 Share Award Scheme would represent in excess of 1% of the issued share capital of the Company as at the adoption date of the same, provided that awarded shares which have been transferred to Selected Participants upon vesting shall be left out of account when ascertaining such amount and provided further that the Board may resolve to increase such limit at its sole discretion.

SHARE AWARD SCHEME (Continued)

2013 Share Award Scheme (Continued)

The maximum number of awarded shares which may be subject to award(s) to a single Selected Participant at any one time shall not in aggregate exceed 1% of the issued share capital of the Company as at the adoption date of the 2013 Share Award Scheme.

Subject to any early termination as may be determined by the Board, the 2013 Share Award Scheme shall be valid and effective for a term of five years commencing on the adoption date of the same.

Details of the 2013 Share Award Scheme are set out in the Company's announcement dated 29 November 2013.

On 10 October 2014, the Board resolved to grant awards comprising a total of 2,103,316 Awarded Shares (the "2014 Batch 2 Awarded Shares") to 1,018 Selected Participants by way of (i) allocation of the 1,265,644 Returned Shares, which were the awards granted earlier under the 2013 Share Award Scheme that did not vest due to the relevant Selected Participants failed to meet their performance targets specified in the grant letters pursuant to the 2013 Share Award Scheme; and (ii) allotment of 837,672 new shares of the Company pursuant to the 2013 Share Award Scheme and the general mandate granted by the shareholders of the Company at the annual general meeting held on 8 May 2014. On 20 October 2014, the Stock Exchange granted the listing of, and permission to deal in the 2014 Batch 2 Awarded Shares.

On 1 July 2015, the Board resolved to grant awards comprising a total of 136,600 awarded shares (the "2015 Batch 1 Awarded Shares") to 2 Selected Participants by way of allotment of new Shares pursuant to the 2013 Share Award Scheme and the general mandate granted by the shareholders of the Company at the annual general meeting held on 15 May 2015. On 16 July 2015, the Stock Exchange granted the listing of, and permission to deal in the 2015 Batch 1 Awarded Shares.

On 29 December 2015, the Board resolved to grant awards comprising a total of 1,757,635 awarded shares (the "2015 Batch 2 Awarded Shares") to 54 Selected Participants by way of allocation of 1,757,635 Returned Shares, which were awards previously granted to Selected Participants under the 2013 Share Award Scheme that did not vest and had lapsed.

SHARE AWARD SCHEME (Continued)

2013 Share Award Scheme (Continued)

Summary of particulars of the 2014 Batch 2 Awarded Shares, 2015 Batch 1 Awarded Shares and 2015 Batch 2 Awarded Shares during the year ended 31 December 2015 are set out below:

				Number of Awarded Shares		
Date of grant	Number of awarded shares granted under the 2013 Share Award Scheme	Approximate percentage of the Company's share capital as at the adoption date of the 2013 Share Award Scheme	Vesting date	Vested as at 31 December 2015	Forfeited/ lapsed as at 31 December 2015	Outstanding (held by the trustee for the grantees) as at 31 December 2015
10 October 2014	1,998,285	0.349%	30 November 2015	–	(1,998,285)	–
1 July 2015	68,300	0.011%	30 June 2016	–	–	68,300
1 July 2015	68,300	0.011%	30 June 2017	–	–	68,300
29 December 2015	1,171,688	0.195%	30 December 2016	–	–	1,171,688
29 December 2015	585,947	0.097%	1 April 2017	–	–	585,947
Total	3,892,520	0.664%		–	(1,998,285)	1,894,235

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" above, 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 of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at 31 December 2015, the following persons, 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 which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/ Nature of interest	Long/Short position	Number of shares	Approximate percentage of shareholding *(Note 2)*
Biostime Pharmaceuticals (China) Limited *(Note 1)*	Beneficial owner	Long position	450,000,000	71.419%
Flying Company Limited *(Note 1)*	Interest in a controlled corporation	Long position	450,000,000	71.419%
Sailing Group Limited *(Note 1)*	Interest in a controlled corporation	Long position	450,000,000	71.419%
Coliving Limited *(Note 1)*	Interest in a controlled corporation	Long position	450,000,000	71.419%
UBS Trustees (BVI) Limited *(Note 1)*	Trustee	Long position	450,000,000	71.419%

Note 1: As at 31 December 2015, Biostime Pharmaceuticals (China) Limited was owned as to 47.71% by Coliving Limited, and therefore, Biostime Pharmaceuticals (China) Limited was deemed to be controlled by Coliving Limited.

Coliving Limited is owned as to 59.00% by Flying Company Limited and 41.00% by Sailing Group Limited, and therefore, Coliving Limited is deemed to be controlled by each of Flying Company Limited and Sailing Group Limited.

UBS Trustees (BVI) Limited, the trustee of each of Mr. Luo Fei's Family Trust and Mr. Luo Yun's Family Trust, through its nominee UBS Nominees Limited, holds the entire issued share capital of Flying Company Limited and Sailing Group Limited as the respective trust assets under Mr. Luo Fei's Family Trust and Mr. Luo Yun's Family Trust. The beneficiaries of Mr. Luo Fei's Family Trust and Mr. Luo Yun's Family Trust are Mr. Luo Fei and his family members, and Mr. Luo Yun and his family members, respectively. Mr. Luo Fei and Mr. Luo Yun are Directors of the Company.

Note 2: As at 31 December 2015, the total number of the issued shares of the Company was 630,080,426.

Save as mentioned above, as at 31 December 2015, the Company had not been notified by any 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, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2015.

TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

No transaction, arrangement or contract of significance to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly, subsisted at the end of the year or at any time during the year. No contract 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.

NON-COMPETE UNDERTAKINGS

Each of the controlling shareholders of the Company has confirmed to the Company of his/its compliance with the non-compete undertakings provided to the Company under the Deed of Non-Competition (as defined in the prospectus of the Company dated 3 December 2010 (the "Prospectus")). The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling shareholders during the year ended 31 December 2015.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2015 and up to the date of the Annual Report, none of the Directors had any direct or indirect interest in a business which competed or might compete with the business of the Group as required to be disclosed under Rule 8.10 of the Listing Rules.

CONNECTED TRANSACTIONS

During the year ended 31 December 2015, below transactions of the Group constituted connected transactions (including continuing connected transactions) under Chapter 14A of the Listing Rules.

Renewed Framework Purchase Agreement

Guangzhou Biohope Co., Ltd.* (廣州市百好博有限公司, "Guangzhou Biohope") is owned as to 52.8% by Mr. Luo Fei, 27.2% by Mr. Luo Yun and 20% by Mr. Chen Fufang, all of whom are Directors and among whom Mr. Luo Fei and Mr. Luo Yun are brothers. Mr. Luo Fei is an executive Director and the Chief Executive Officer of the Company and hence a connected person of the Company. As Mr. Luo Fei can exercise more than 30% of the voting power at general meetings of Guangzhou Biohope, Guangzhou Biohope is an associate of Mr. Luo Fei and therefore a connected person of the Company under Rule 14A.07(4) and Rule 14A.12(1) of the Listing Rules.

CONNECTED TRANSACTIONS (Continued)

Renewed Framework Purchase Agreement (Continued)

On 27 December 2013, BMcare Baby Products Inc. (Guangzhou)* (廣州葆艾嬰幼兒護理用品有限公司, "BMcare Guangzhou"), the Company's directly wholly-owned subsidiary, renewed the existing framework purchase agreement (the "Renewed Framework Purchase Agreement") with Guangzhou Biohope in relation to the purchase of certain raw materials from Guangzhou Biohope for the production of a new series of baby care products by BMcare Guangzhou. The term of the Renewed Framework Purchase Agreement is for a period commencing from 1 January 2014 to 31 December 2015. The annual caps for the transactions contemplated under the Renewed Framework Purchase Agreement were RMB10,000,000 and RMB15,000,000 for the years ended 31 December 2014 and 2015, respectively. As certain of the applicable percentage ratios (other than the profits ratio) as defined in Chapter 14 of the Listing Rules in respect of such annual caps are more than 0.1% but all of the relevant applicable percentage ratios are less than 5%, and that the transactions contemplated under the Renewed Framework Purchase Agreement are on normal commercial terms or better, these renewed continuing connected transactions are subject to the reporting, annual review and announcement requirements but are exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules. Further details in relation to the Renewed Framework Purchase Agreement are set out in the Company's announcement dated 27 December 2013.

Structure Contracts, Promotion Service Agreement and Domain Name Transfer Agreement

Background

The Group generally sells its products to regional distributors and such distributors further distribute the products through different types of retail sales channels, including but not limited to specialty stores owned and operated by third parties.

In contemplation of developing a uniform e-commerce platform to be utilized by the specialty stores for the sale of the Group's products, on 8 November 2013, Guangzhou Mama100 E-commerce Co., Limited* (廣州市媽媽一百電子商務有限公司, "Mama100 E-commerce") was established in the PRC with limited liability with a registered capital of RMB10,000,000, and is owned as to 57.7% by Mr. Luo Fei, 26% by Mr. Wu Xiong, 11.9% by Mr. Chen Fufang and 4.4% by Ms. Kong Qingjuan (the "Mama100 Shareholders"). Under the relevant rules and regulations in the PRC, foreign investors are not allowed to hold more than 50% of the equity interest of a company providing value-added telecommunications services including e-commerce. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience and a proven track record in operating value-added telecommunications businesses. As a result of such restrictions, the Company or its wholly-owned subsidiaries in the PRC is not allowed to hold the entire equity interest of any company established under the laws of the PRC which is engaged in e-commerce in the PRC or carry out such e-commerce activities directly under the relevant PRC laws and regulations. Mama100 E-commerce was established for the purpose of enabling the Group to operate its e-commerce platform and it has also obtained the Internet Content Provider License (增值電信業務許可證).

CONNECTED TRANSACTIONS (Continued)

Structure Contracts, Promotion Service Agreement and Domain Name Transfer Agreement (Continued)

Background *(Continued)*

Due to the abovementioned legal restrictions, on 27 June 2014, the Group entered into legal arrangement with Mama100 E-commerce through a series of contracts, namely the exclusive management and consultancy service agreement (the "Exclusive Management and Consultancy Service Agreement"), the equity interests pledge agreement (the "Equity Interests Pledge Agreement"), the exclusive call option agreement (the "Exclusive Call Option Agreement"), the business management agreement (the "Business Management Agreement") (including the power of attorneys (the "Power of Attorneys") and undertakings (the "Undertakings")), the trademark license agreement (the "Trademark License Agreement"), the trademark application license agreement (the "Trademark Application License Agreement") and the associated agreements (collectively, the "Structure Contracts"), in order to conduct the e-commerce business as contemplated under the Structure Contracts through Mama100 E-commerce.

The business model of Mama100 E-commerce under the Structure Contracts is as below:

(i) Mama100 E-commerce maintains and operates online platforms through (i) its self-owned website and mobile application, and (ii) online stores established on third parties' platforms, including WeChat (微信), Tmall (天貓) and Jing Dong (京東). These online platforms are to be utilized for online sales of the Group's products. Mama100 E-commerce itself does not own any of the Group's products. The products are owned by the specialty stores through purchases from the distributors of the Group.

(ii) Once a customer places an order of products with any of Mama100 E-commerce's online platforms and makes respective payment to Mama100 E-commerce (mainly through online payment methods such Alipay (支付寶), online bank and etc), Mama100 E-commerce will notify and refer the customer order to the specialty store located nearest to that customer, and such specialty store will arrange delivery of the ordered products to the said customer.

(iii) Mama100 E-commerce will then make weekly or daily (depending on the requirement of the respective online platform) settlement with the relevant specialty stores by (i) forwarding the respective payments of ordered products it received from the customers to the relevant specialty stores (as the relevant product delivered to the customer was originally owned by the relevant specialty store, instead of Mama100 E-commerce), and (ii) at the same time charging such specialty stores for service fees in respect of the referral of product orders and online services provided.

(the above business model is referred to as "O2O Business")

CONNECTED TRANSACTIONS (Continued)

Structure Contracts, Promotion Service Agreement and Domain Name Transfer Agreement (Continued)

Background *(Continued)*

The Company is of the view that the Group will benefit from the O2O Business of Mama100 E-commerce in the following aspects:

(i) the profit to be generated by Mama100 E-commerce under the O2O Business will be consolidated into the Group as a result of the Structure Contracts; and

(ii) the O2O Business will provide an additional sales channel and platform to the specialty stores which could enhance the sales efficiency of the Group's products by such specialty stores via internet at a lower cost, and will in turn substantially increase the sales volume of the Group's products to its distributors and accordingly, the Group's revenue and profit.

Pursuant to the Structure Contracts:

(i) the Group is able to exercise control over Mama100 E-commerce;

(ii) the Group has the right to govern the management of Mama100 E-commerce;

(iii) the Group has the right to deal with the assets of Mama100 E-commerce;

(iv) the Group would have the right to acquire the entire equity interest in Mama100 E-commerce (as and when the PRC relevant rules and regulations allow it to do so);

(v) the Company is able to consolidate the financial results of Mama100 E-commerce into the Group's results from the commencement date of the Structure Contracts; and

(vi) none of the shareholders of Mama100 E-commerce, namely, Mr. Luo Fei, Mr. Wu Xiong, Mr. Chen Fufang and Ms. Kong Qingjuan, will obtain or receive any financial or commercial benefits from his/her respective interest in Mama100 E-commerce under the Structure Contracts despite holding direct or indirect equity interests in Mama100 E-commerce.

In association with the Structure Contracts, the Group also entered into the promotion service agreement (the "Promotion Service Agreement") and domain name transfer agreement (the "Domain Name Transfer Agreement") with Mama100 E-commerce on 27 June 2014.

CONNECTED TRANSACTIONS (Continued)

Structure Contracts, Promotion Service Agreement and Domain Name Transfer Agreement (Continued)

The Structure Contracts

The Company entered into each of the applicable Structure Contracts for a term commencing on 27 June 2014 and ending on 31 December 2016. Under the applicable Structure Contracts, the Company has the right to renew such Structure Contracts before the expiration of the relevant Structure Contracts unilaterally under the existing terms or at terms to be further agreed between the relevant parties.

Major provisions of the key Structure Contracts

(1) Exclusive Management and Consultancy Service Agreement

On 27 June 2014, Guangzhou Hapai Information Technology Co., Ltd.* (廣州市合愛信息技術有限公司, "Guangzhou Hapai"), an indirect wholly-owned subsidiary of the Company, and Mama100 E-commerce entered into the Exclusive Management and Consultancy Service Agreement, pursuant to which Guangzhou Hapai has the exclusive right to provide management and consultancy services to Mama100 E-commerce. Guangzhou Hapai is also entitled to deal with the assets of Mama100 E-commerce. Such services include but are not limited to technical service, network support, business consulting and other services as required by Mama100 E-commerce and allowed under the PRC law. The Exclusive Management and Consultancy Service Agreement also entitles Guangzhou Hapai to charge Mama100 E-commerce quarterly for service fees at a range of 90% to 100% of the total amount of net profit of Mama100 E-commerce for the corresponding period in accordance with the volume of the services provided because it is commercially agreed by both parties that the net profit of Mama100 E-commerce is generated as a result of the management and consultancy services provided by Guangzhou Hapai, and therefore not less than 90% of the total amount of net profit of Mama100 E-commerce should be paid to Guangzhou Hapai. The reason for leaving a maximum of 10% of the total amount of net profit in the reserve of Mama100 E-commerce is to meet the general working capital of Mama100 E-commerce for daily operation.

(2) Equity Interests Pledge Agreement

On 27 June 2014, Guangzhou Hapai and the Mama100 Shareholders entered into the Equity Interests Pledge Agreement, pursuant to which the Mama100 Shareholders agreed to pledge the entire equity interests in Mama100 E-commerce to Guangzhou Hapai as security for the performance of the obligations under the relevant Structure Contracts.

(3) Exclusive Call Option Agreement

On 27 June 2014, Guangzhou Hapai, Mama100 E-commerce and the Mama100 Shareholders entered into the Exclusive Call Option Agreement pursuant to which Guangzhou Hapai is irrevocably entitled to, as and when permitted by applicable PRC laws and regulations, acquire the entire equity interests in Mama100 E-commerce held by the Mama100 Shareholders for a consideration in the amount of RMB10,000, or when appraisal is required under PRC law, 1% of the appraisal price or at the lowest price permitted by the then applicable PRC laws and regulations.

CONNECTED TRANSACTIONS (Continued)

Structure Contracts, Promotion Service Agreement and Domain Name Transfer Agreement (Continued)

The Structure Contracts *(Continued)*

Major provisions of the key Structure Contracts (Continued)

(4) Business Management Agreement

On 27 June 2014, Guangzhou Hapai, Mama100 E-commerce and the Mama100 Shareholders entered into the Business Management Agreement pursuant to which, among other things:

(i) the Mama100 Shareholders will procure Mama100 E-commerce not to enter into any transaction which may materially affect its assets, business operation, human resources, right and obligations, unless upon prior written consent from Guangzhou Hapai or any third party designated by Guangzhou Hapai;

(ii) Mama100 E-commerce and the Mama100 Shareholders agree to strictly implement relevant proposals from Guangzhou Hapai from time to time in relation to Mama100 E-commerce's recruitment and dismissal of employee, business management, financial management and so on; and

(iii) each of the Mama100 Shareholders agrees to, upon receiving any dividend or any other earnings or income from Mama100 E-commerce as its shareholder, immediately and unconditionally pay or transfer at nil consideration of all such earnings or income to Guangzhou Hapai.

(5) Power of Attorneys and Undertakings

Pursuant to the above Business Management Agreement, on 27 June 2014, each of the Mama100 Shareholders executed a Power of Attorney pursuant to which he/she irrevocably authorized Guangzhou Hapai to, among other things:

(i) attend shareholder meetings of Mama100 E-commerce on his/her behalf;

(ii) (exercise all his/her rights of shareholders and voting rights in Mama100 E-commerce, including but not limited to selling, transferring, pledging or otherwise dealing in all or any of the equity interests in Mama100 E-commerce; and

(iii) appoint the directors, general manager, chief financial officer and other management level personnel of Mama100 E-commerce.

CONNECTED TRANSACTIONS (Continued)

Structure Contracts, Promotion Service Agreement and Domain Name Transfer Agreement (Continued)

The Structure Contracts *(Continued)*

Major provisions of the key Structure Contracts (Continued)

(5) Power of Attorneys and Undertakings (Continued)

In addition, on 27 June 2014, each of the Mama100 Shareholders executed an Undertaking pursuant to which he/she irrevocably undertakes, among other things, that:

(i) any successor to him/her shall hold the respective equity interest in Mama100 E-commerce subject to the conditions, requirements and obligations under the Undertaking and the Structure Contracts;

(ii) his/her respective equity interest in Mama100 E-commerce does not form part of the community property, and his/her decisions in relation to Mama100 E-commerce shall not be affected by his/her spouse;

(iii) he/she will neither, directly or indirectly (either on his/her own or through any other individual or legal entity), participate or be engaged in any business which is or may be in competition with the business of Mama100 E-commerce or its associated company, or acquire or hold any such business, nor carry on any activities which may lead to any conflict of interest between himself/herself and Guangzhou Hapai;

(iv) in the event that he/she receives any asset in relation to the liquidation of Mama100 E-commerce, he/she agrees to transfer at nil consideration or at the lowest consideration as permitted by the then applicable laws and regulations to Guangzhou Hapai such asset; and

(v) in the event that he/she receives any amount from Guangzhou Hapai or any third party in relation to the exercise of the call option under the Exclusive Call Option Agreement, he/she agrees to unconditionally return all such amount to Guangzhou Hapaii or any third party designated by Guangzhou Hapai.

On 27 June 2014, each of the spouses of the Mama100 Shareholders also executed an Undertaking pursuant to which he/she irrevocably undertakes, among other things, that:

(i) the respective equity interest in Mama100 E-commerce held by his/her spouse does not form part of the community property; and

(ii) any income arising in relation to such equity interest in Mama100 E-commerce shall be solely owned and disposed by his/her spouse and he/she will neither claim any rights to such income, nor participate in the management of the business operation of Mama100 E-commerce.

CONNECTED TRANSACTIONS (Continued)

Structure Contracts, Promotion Service Agreement and Domain Name Transfer Agreement (Continued)

***The Structure Contracts** (Continued)*

Major provisions of the key Structure Contracts (Continued)

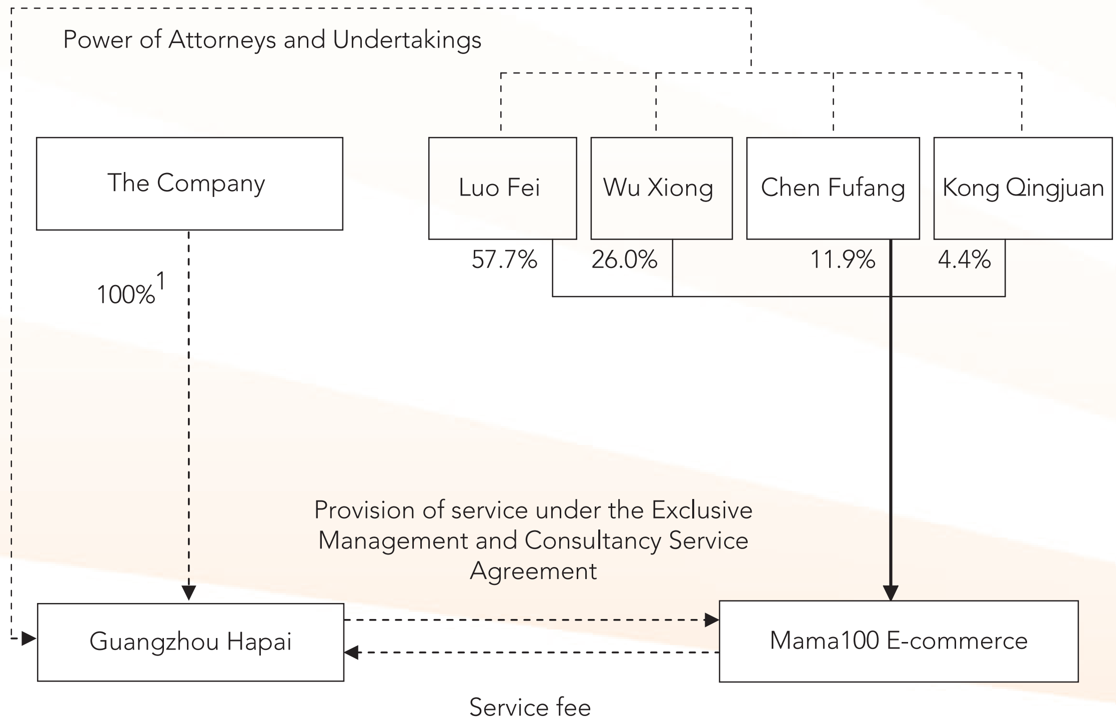
(6) Trademark License Agreement and Trademark Application License Agreement (collectively, the "License Agreements")

On 27 June 2014, Biostime International Investment Limited ("Biostime Investment") and Mama100 E-commerce entered into the Trademark License Agreement and the Trademark Application License Agreement, pursuant to which Biostime Investment will license certain registered trademarks and trademarks under registration process to Mama100 E-commerce.

The aggregated consideration under the License Agreements was set at the range of 2% to 10% of the revenue of Mama100 E-commerce for the corresponding period, with the exact amount to be determined by both parties according to the actual utilization frequency of such registered trademarks and trademarks under registration process and shall be settled on annual basis.

Corporate Structure

The following chart illustrates the relationship between the Company, Guangzhou Hapai, Mam100 E-commerce and its shareholders upon the Structure Contracts coming into effect.



Note:

1. Guangzhou Hapai is indirect wholly-owned by the Company.

CONNECTED TRANSACTIONS (Continued)

Structure Contracts, Promotion Service Agreement and Domain Name Transfer Agreement (Continued)

The Structure Contracts *(Continued)*

Dispute resolution

Pursuant to the Structure Contracts, any dispute arising from the validity, interpretation and performance of the Structure Contracts between the parties thereto should first be resolved through negotiation, failing which any party may submit the said dispute to the Guangzhou Arbitration Commission with a view to resolving the dispute through arbitration in accordance with the arbitration rules thereof. The arbitral tribunal may award remedies over the shares or land assets of Mama10 E-Commerce, injunctive relief (such as stipulating certain conducts of business or compelling transfer of assets) or order the winding up of Mama10 E-Commerce (the "Arbitral Award Provisions").

The Structure Contracts also provide that pending formation of the arbitral tribunal or in appropriate cases, the courts of Hong Kong, the Company's place of incorporation (the Cayman Islands), Mama100 E-commerce's place of establishment (the PRC), the jurisdiction where the principal assets of the Company and Mama100 E-commerce are located (the PRC) have the power to grant interim remedies in support of the arbitration (the "Interim Remedies Provisions").

However, as advised by the legal advisor of the Company as to the laws of the PRC, King & Wood Mallesons, according to the PRC laws and regulations, the arbitral tribunal normally would not grant such kind of remedies or injunctive relief or winding up order of such PRC operational entities as Mama100 E-commerce under the PRC laws and regulations. For instance, the arbitral tribunal has no authority to grant such injunctive relief, nor will it be able to order the winding up of the PRC operational entities pursuant to existing PRC laws and regulations. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China.

Risks involved in the Structure Contracts

As the primary beneficiary of Mama100 E-commerce, the Group is exposed to the business risks and financial risks faced by Mama100 E-commerce. While the Group will pay service fees to Mama100 E-commerce for its services under the Promotion Service Agreement of at least RMB120,000 per month, there is no assurance that Mama100 E-commerce will generate any profit which can be paid to the Group through the Exclusive Management and Consultancy Service Agreement and Business Management Agreement. Any profit or loss of Mama100 E-commerce (net of intra-group transactions) will be reflected in the consolidated financial results of the Group.

The exercise of the Exclusive Call Option Agreement is subject to applicable laws and regulations of the PRC. There is no assurance that the acquisition of the entire equity interests in Mama100 E-commerce held by the Mama100 Shareholders under the Exclusive Call Option Agreement will be permitted in the future, or whether such acquisition will incur any costs and expenses to the Group in addition to the consideration stipulated under the Exclusive Call Option Agreement. Due to these limitations, the transfer of ownership in Mama100 E-commerce pursuant to the exercise of the call option under the Exclusive Call Option Agreement may still be subject to substantial costs.

CONNECTED TRANSACTIONS (Continued)

Structure Contracts, Promotion Service Agreement and Domain Name Transfer Agreement (Continued)

The Structure Contracts *(Continued)*

Risks involved in the Structure Contracts (Continued)

The Group's PRC legal advisor, King & Wood Mallesons, is of the opinion that as at the date of this Annual Report, the execution, delivery and performance of the Structure Contracts by each of the parties thereto, is in compliance with (i) the provisions under the articles of association of such party and (ii) any applicable PRC laws and regulations. However, as advised by King & Wood Mallesons, the interpretation and implementation of the laws and regulations concerning the foreign investment in the PRC, and their application to and effect on the legality, binding effect and enforceability of contracts, are subject to the discretion of competent PRC legislative, administrative and judicial authorities. In particular, there is no assurance that PRC legislative, administrative or judicial authorities will not adopt a different or contrary interpretation or view against view of the Company and its legal advisor in respect of the legality, binding effect and enforceability of the Structure Contracts, and may determine that the contracts do not comply with applicable regulations.

Further, the Structure Contracts may not provide control over Mama100 E-commerce as effective as direct ownership; the registered shareholders of Mama100 E-commerce may have potential conflicts of interest with the Company; and the Structure Contracts may be subject to scrutiny of the tax authorities and additional tax may be imposed on the Group.

The Group believes that there are limited business insurance products available in the market, and to the best knowledge of the Directors, no insurance products specifically designed for protecting the risks relating to the Structure Contracts are available in the PRC market. Further, it is not compulsory for Mama100 E-commerce to maintain an insurance policy to cover risks relating to the Structure Contracts under the applicable PRC laws and regulations. Accordingly, the Group has not purchased any insurance to cover the above risks.

Internal control

The Company has put in place effective internal controls over Guangzhou Hapai and Mama100 E-commerce to safeguard its assets held through the Structure Contracts. As a wholly-owned subsidiary of the Company, Guangzhou Hapai is subject to all the internal control process and procedures applicable to the Group.

The operations of Mama100 E-commerce are exclusively controlled by Guangzhou Hapai through the Structure Contracts and the Group has applied its internal control processes and procedures to Mama100 E-commerce. In particular, pursuant to the Structure Contracts, (i) Guangzhou Hapai has the right to appoint, and has appointed, the directors, general manager, chief financial officer and other senior management of Mama100 E-commerce and Guangzhou Hapai has the right to hire and terminate employees of Mama100 E-commerce; (ii) the shareholders of Mama100 E-commerce are not allowed to dispose of any assets without the prior written consent of Guangzhou Hapai.

CONNECTED TRANSACTIONS (Continued)

Structure Contracts, Promotion Service Agreement and Domain Name Transfer Agreement (Continued)

The Promotion Service Agreement

On 27 June 2014, Biostime, Inc. (Guangzhou)* (廣州市合生元生物製品有限公司, "Guangzhou Biostime"), a direct wholly-owned subsidiary of the Company, and Mama100 E-commerce entered into the Promotion Service Agreement, pursuant to which Mama100 E-commerce will provide the following three types of promotional services to Guangzhou Biostime for its products at the following fees:

(i) promotional service (such as design and display of online advertising materials and advertisements) through Mama100 E-commerce's website at RMB120,000 per month;

(ii) promotional event planning and relevant promotion material designing at RMB3,000 per event; and

(iii) promotional service (such as online advertising and online marketing campaign) through other third party channels at the amount of costs incurred by Mama100 E-commerce plus profit at a rate of 5%.

For (i) promotional service through Mama100 E-commerce's website, the service to be provided is performed through Mama100 E-commerce's website. For (ii) promotional event planning and relevant promotion material designing and (iii) other promotional service through other third party channels, even though they are not performed through Mama100 E-commerce's website, they are associated with and ancillary to the service to be provided under type (i) and therefore both parties considered that it would be more practical and cost efficient to have Mama100 E-commerce providing all three types of promotional services to Guangzhou Biostime.

The above service fees shall be settled on monthly basis.

Domain Name Transfer Agreement

On 27 June 2014, Guangzhou Biostime and Mama100 E-commerce entered into the Domain Name Transfer Agreement, pursuant to which Guangzhou Biostime transferred certain domain names to Mama100 E-commerce at the consideration of RMB1 million, which had been settled in 2014.

CONNECTED TRANSACTIONS (Continued)

Structure Contracts, Promotion Service Agreement and Domain Name Transfer Agreement (Continued)

Annual caps

The proposed annual caps (the "Annual Caps") for the transactions (the "Transactions") under the Structure Contracts, the Promotion Service Agreement and the Domain Name Transfer Agreement the for the three years ended/ending 31 December 2014, 2015 and 2016 were/are expected to be as follows:

	2014 (in RMB)	**2015 (in RMB)**	**2016 (in RMB)**
Structure Contracts	5,730,000	7,800,000	10,060,000
— Exclusive Management and Consultancy Service Agreement	5,220,000	6,900,000	8,520,000
— License Agreements	510,000	900,000	1,540,000
Promotion Service Agreement	19,300,000	32,910,000	62,210,000
Domain Name Transfer Agreement *(Note 1)*	1,000,000	–	–
Total (on an aggregated basis)	26,030,000	40,710,000	72,270,000

Note 1: The transaction contemplated under the Domain Name Transfer Agreement is a one-off transaction, therefore, for the purpose of calculation of aggregated Annual Caps, the amount of the Annual Cap for such transaction is equivalent to the total amount of consideration as set out in the Domain Name Transfer Agreement.

Reasons and benefits for the Transactions

Mama100 E-commerce becomes the Company's subsidiary and the Group will obtain financial and operational control of Mama100 E-commerce upon the execution of the Structure Contracts. Further, upon the execution of the Structure Contracts, the Promotion Service Agreement and the Domain Name Transfer Agreement, it would allow the Group to enhance the sales efficiency of the Group's products by specialty stores via the Internet at a low cost and accordingly substantially increase the sales volume of the Group's products to its distributors.

Through co-operation with Mama100 E-commerce pursuant to the terms of the Structure Contracts, the Group is able to explore the global e-commerce markets and make its distribution network more effective, thus strengthening the Group's market position in the premium pediatric nutritional and baby care product industry.

CONNECTED TRANSACTIONS (Continued)

Structure Contracts, Promotion Service Agreement and Domain Name Transfer Agreement (Continued)

Listing Rules implications

Mama100 E-commerce is owned as to 57.7% by Mr. Luo Fei, 26% by Mr. Wu Xiong, 11.9% by Mr. Chen Fufang and 4.4% by Ms. Kong Qingjuan. Mr. Luo Fei is an executive Director and each of Mr. Wu Xiong and Mr. Chen Fufang is a non-executive Director. Ms. Kong Qingjuan was an executive Director during the year ended 31 December 2015. In addition, Mr. Luo Fei is also the Chief Executive Officer of the Company. Mama100 E-commerce is therefore an associate of Mr. Luo Fei and hence a connected person of the Company for the purpose of the Listing Rules. Accordingly, (i) the transactions contemplated under the Domain Name Transfer Agreement constitute connected transactions of the Company and (ii) each of the other Transactions constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Having considered that each of the Transactions has been entered into by the Group with the same party, namely, Mama100 E-commerce and/or the Mama100 Shareholders, and are for the same purpose of enabling the Group to conduct e-commerce activities for the Group's products, the Directors consider that each of the Transactions shall be aggregated pursuant to Rule14A.81 of the Listing Rules. As the highest applicable percentage ratio (other than the profits ratio) in relation to the largest Annual Caps for the Transactions in aggregate is more than 0.1% but less than 5%, each of the Transactions fall within Rule 14A.76(2) of the Listing Rules and is subject to the reporting, announcement and annual review requirements but exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Annual review of the continuing connected transactions

The independent non-executive Directors have reviewed all the above-mentioned continuing connected transactions and confirmed that during the year ended 31 December 2015, these transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of all the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

CONNECTED TRANSACTIONS (Continued)

Annual review of the continuing connected transactions (Continued)

Details of the consideration paid in respect of all the continuing connected transactions during the year ended 31 December 2015 are set out as follows:

	Annual Caps for the year (in RMB)	Consideration paid during the year (in RMB)
Renewed Framework Purchase Agreement	15,000,000	1,915,870
Structure Contracts		
— Exclusive Management and Consultancy Service Agreement	6,900,000	Nil
— License Agreements	900,000	Nil
Promotion Service Agreement	32,910,000	4,315,014

AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") comprises three members, namely, Dr. 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 auditors.

The Audit Committee oversees the audit process, internal control and risk management systems of the Group, reports to the Board on any material issues, and makes recommendations to the Board.

The Audit Committee has reviewed the Company's interim results for the six months ended 30 June 2015 and the annual results for the year ended 31 December 2015, the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2015 and the annual report for the year ended 31 December 2015, the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management systems and processes, scope of work and the re-appointment of the external auditors, connected transactions and arrangement for employees to raise concerns about possible improprieties. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditors.

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 as set out in Appendix 10 to the Listing Rules. Having made specific enquiry to all the Directors, all the Directors confirmed that they have complied with the Company Code and the Model Code during the year ended 31 December 2015.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended 31 December 2015.

EVENTS AFTER THE END OF THE REPORTING PERIOD

No significant event occurred after the end of the reporting period and up to the approval date of the financial statements.

CORPORATE GOVERNANCE

A report on the principal corporate governance practics adopted by the Company is set out on pages 18 to 35 of this Annual Report.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2015.

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

AUDITORS

The consolidated financial statements for the year ended 31 December 2015 have been audited by Ernst & Young who shall retire at the 2016 AGM. A resolution will be proposed at the 2016 AGM to re-appoint Ernst & Young as external auditors of the Company.

On behalf of the Board
Luo Fei
Chairman

Hong Kong, 29 March 2016

INDEPENDENT AUDITORS' REPORT

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 set out on pages 80 to 182, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other 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.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

29 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	**2015 RMB'000**	2014 RMB'000
REVENUE	5	**4,818,561**	4,731,563
Cost of sales		**(1,833,996)**	(1,804,632)
Gross profit		**2,984,565**	2,926,931
Other income and gains	5	**143,997**	128,065
Selling and distribution costs		**(1,975,832)**	(1,587,764)
Administrative expenses		**(280,144)**	(175,268)
Other expenses		**(214,237)**	(87,548)
Finance costs	6	**(154,022)**	(86,673)
Share of (losses)/profits of an associate	19	**(387)**	592
PROFIT BEFORE TAX	7	**503,940**	1,118,335
Income tax expense	9	**(210,619)**	(311,549)
PROFIT FOR THE YEAR		**293,321**	806,786
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**45,978**	(5,581)
Exchange differences on net investment in a foreign operation		**70,560**	–
		116,538	(5,581)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**409,859**	801,205
Profit attributable to:			
Owners of the parent		**251,461**	806,786
Non-controlling interests		**41,860**	–
		293,321	806,786
Total comprehensive income attributable to:			
Owners of the parent		**352,242**	801,205
Non-controlling interests		**57,617**	–
		409,859	801,205
		RMB	RMB
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic		**0.41**	1.34
Diluted		**0.40**	1.31

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**546,995**	478,032
Prepaid land lease payments	13	**61,765**	63,243
Goodwill	14	**4,956,392**	76,000
Intangible assets	15	**2,864,699**	104,110
Bonds receivable	16	**124,003**	130,302
Loans receivable	17	**54,896**	53,531
Deposits	18	**8,513**	15,741
Investment in an associate	19	**40,205**	40,592
Loan to an associate	19	**–**	40,000
Held-to-maturity investment	20	**17,901**	18,810
Time deposits	24	**70,159**	1,146,183
Deferred tax assets	30	**198,061**	128,896
Pledged deposits	24	**250,000**	–
Total non-current assets		**9,193,589**	2,295,440
CURRENT ASSETS			
Inventories	21	**856,224**	797,027
Trade and bills receivables	22	**622,842**	12,043
Prepayments, deposits and other receivables	23	**218,980**	137,467
Loan to an associate	19	**40,000**	–
Loans receivable	17	**21,984**	39,457
Derivative financial instrument	27	**2,728**	2,570
Pledged deposits	24	**1,677,000**	–
Cash and cash equivalents	24	**1,198,235**	3,347,157
Total current assets		**4,637,993**	4,335,721
CURRENT LIABILITIES			
Trade and bills payables	25	**618,711**	294,542
Other payables and accruals	26	**1,125,549**	737,494
Derivative financial instruments	27	**19,005**	–
Interest-bearing bank loans	28	**4,740,450**	–
Tax payable		**175,609**	235,588
Total current liabilities		**6,679,324**	1,267,624
NET CURRENT (LIABILITIES)/ASSETS		**(2,041,331)**	3,068,097
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,152,258**	5,363,537

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	**2015 RMB'000**	2014 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,152,258**	5,363,537
NON-CURRENT LIABILITIES			
Convertible bonds	*29*	**2,659,057**	2,410,526
Other payables and accruals	*26*	**28,696**	–
Deferred tax liabilities	*30*	**863,912**	35,924
Total non-current liabilities		**3,551,665**	2,446,450
Net assets		**3,600,593**	2,917,087
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*32*	**5,387**	5,197
Equity component of convertible bonds	*29*	**66,978**	66,978
Other reserves	*35*	**3,219,137**	2,844,912
		3,291,502	2,917,087
Non-controlling interests		**309,091**	–
Total equity		**3,600,593**	2,917,087

Luo Fei
Director

Chen Fufang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

		Attributable to owners of the parent													
		Issued capital RMB'000	Share premium account RMB'000	Equity component of convertible bonds RMB'000	Share held for the share award schemes RMB'000	Contributed surplus RMB'000	Capital surplus RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits# RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014		5,161	182,696	–	(67,167)	26,992	95	304,524	26,791	35,235	(59,743)	2,061,009#	2,515,593	–	2,515,593
Profit for the year		–	–	–	–	–	–	–	–	–	–	806,786	806,786	–	806,786
Other comprehensive income for the year:															
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	–	(5,581)	–	(5,581)	–	(5,581)
Total comprehensive income for the year		–	–	–	–	–	–	–	–	–	(5,581)	806,786	801,205	–	801,205
Transfer to statutory reserve funds		–	–	–	–	–	–	42,100	–	–	–	(42,100)	–	–	–
Equity-settled share option arrangements		19	15,325	–	–	–	–	–	(1,373)	–	–	–	13,971	–	13,971
Equity-settled share award schemes		17	–	–	25,026	–	–	–	–	(24,373)	–	11,374	12,044	–	12,044
Issue of convertible bonds	29	–	–	66,978	–	–	–	–	–	–	–	–	66,978	–	66,978
Final 2013 dividend declared		–	–	–	–	–	–	–	–	–	–	(210,508)	(210,508)	–	(210,508)
Special 2013 dividend declared		–	–	–	–	–	–	–	–	–	–	(157,881)	(157,881)	–	(157,881)
Interim 2014 dividend	10	–	–	–	–	–	–	–	–	–	–	(124,315)	(124,315)	–	(124,315)
At 31 December 2014		5,197	198,021	66,978	(42,141)	26,992	95	346,624	25,418	10,862	(65,324)	2,344,365#	2,917,087	–	2,917,087

Retained profits have been adjusted for the proposed dividend in accordance with the current year's presentation, which is described in note 2.2 to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Notes	Attributable to owners of the parent												Non-controlling interests RMB'000	Total equity RMB'000
		Issued capital RMB'000	Share premium account RMB'000	Equity component of convertible bonds RMB'000	Share held for the share award schemes RMB'000	Contributed surplus RMB'000	Capital surplus RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000		
At 1 January 2015		5,197	198,021	66,978	(42,141)	26,992	95	346,624	25,418	10,862	(65,324)	2,344,365	2,917,087	-	2,917,087
Profit for the year		-	-	-	-	-	-	-	-	-	-	251,461	251,461	41,860	293,321
Other comprehensive income for the year:															
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	-	30,221	-	30,221	15,757	45,978
Exchange differences on net investment in a foreign operation		-	-	-	-	-	-	-	-	-	70,560	-	70,560	-	70,560
Total comprehensive income for the year		-	-	-	-	-	-	-	-	-	100,781	251,461	352,242	57,617	409,859
Transfer to statutory reserve funds		-	-	-	-	-	-	11,602	-	-	-	(11,602)	-	-	-
Acquisition of subsidiaries	37	-	-	-	-	-	-	-	-	-	-	-	-	252,592	252,592
Issuance of new shares for the acquisition of a subsidiary		168	226,799	-	-	-	-	-	-	-	-	-	226,967	-	226,967
Equity-settle share option arrangements	33	22	19,005	-	-	-	-	-	(18,504)	-	-	696	1,219	-	1,219
Equity-settled share award schemes	34	-	-	-	-	-	-	-	-	(9,963)	-	-	(9,963)	-	(9,963)
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	-	(1,118)	(1,118)
Final 2014 dividend declared	10	-	-	-	-	-	-	-	-	-	-	(196,050)#	(196,050)	-	(196,050)
At 31 December 2015		5,387	443,825*	66,978	(42,141)*	26,992*	95*	358,226*	6,914*	899*	35,457*	2,388,870*	3,291,502	309,091	3,600,593

* These reserve accounts comprise the consolidated other reserves of RMB3,219,137,000 (2014: RMB2,844,912,000) in the consolidated statement of financial position.

\# Dividend income arising from the shares held for the share award schemes of RMB1,109,000 is deducted from the aggregate of dividends proposed and paid. Dividend for the new shares issued under the share option arrangements of RMB215,000 is paid from the retained profits.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**503,940**	1,118,335
Adjustments for:			
Bank interest income	5	**(108,520)**	(105,034)
Interest income from loans and bonds receivables	5	**(10,177)**	(8,085)
Finance costs	6	**154,022**	86,673
Fair value losses on derivative financial instruments	7	**18,490**	–
Share of losses/(profits) of an associate	19	**387**	(592)
Depreciation	7	**58,629**	41,879
Amortisation of intangible assets	7	**27,066**	7,310
Amortisation of prepaid land lease payments	7	**1,478**	1,478
Loss on disposal of items of property, plant and equipment	7	**4,355**	97
Write-down of inventories to net realisable value	7	**7,694**	984
Impairment of trade and bills receivables	7	**3,936**	–
Equity-settled share option expense	7	**(10,619)**	4,488
Equity-settled share award expense	7	**(9,963)**	12,044
		640,718	1,159,577
Decrease in inventories		**34,707**	173,882
(Increase)/decrease in trade and bills receivables		**(169,829)**	3,139
(Increase)/decrease in prepayments, deposits and other receivables		**(14,766)**	13,340
Decrease in trade and bills payables		**(135,831)**	(67,093)
Increase in other payables and accruals		**288,432**	25,998
Decrease in amounts due from directors		**–**	2,000
Decrease/(increase) in rental deposits		**1,905**	(289)
Cash generated from operations		**645,336**	1,310,554
Corporate income tax paid		**(279,604)**	(338,382)
Net cash flows from operating activities		**365,732**	972,172

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
Net cash flows from operating activities		**365,732**	972,172
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(109,040)**	(134,597)
Proceeds from disposal of items of property, plant and equipment		**179**	1,678
Additions to intangible assets		**(3,711)**	(13,824)
Acquisition of subsidiaries	37	**(5,998,869)**	–
Investments in bonds and loans receivables		**–**	(48,847)
Loan to an associate	19	**–**	(40,000)
Repayment of loans receivable		**15,246**	31,050
Interest received		**39,402**	77,455
Purchase of a shareholding in an associate		**–**	(40,000)
Decrease/(increase) in time deposits with original maturity of three months or more when acquired	24	**817,000**	(2,000)
Decrease/(increase) in time deposits with maturity date after one year	24	**1,076,024**	(291,309)
Net cash flows used in investing activities		**(4,163,769)**	(460,394)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible bonds		**–**	2,414,370
Exercise of share options	33	**11,838**	9,483
New bank loans	28	**4,740,450**	–
Increase in pledged deposits for bank loans	24	**(1,927,000)**	–
Repayment of bank loans		**–**	(750,613)
Interest paid		**(57,622)**	(8,690)
Dividends paid to owners of the parent		**(196,050)**	(492,703)
Dividends paid to non-controlling shareholders		**(1,118)**	–
Net cash flows from financing activities		**2,570,498**	1,171,847
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,227,539)**	1,683,625
Cash and cash equivalents at beginning of year		**2,447,157**	764,836
Effect of foreign exchange rate changes, net		**(104,383)**	(1,304)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,115,235**	2,447,157
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**1,115,235**	2,447,157

1. CORPORATE AND GROUP INFORMATION

Biostime International Holdings Limited was incorporated as an exempted company with limited liability in the Cayman Islands. 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 and adult nutrition supplements and skincare products.

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

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

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

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

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

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

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

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

1. CORPORATE AND GROUP INFORMATION (Continued)

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

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
BiosTime, Inc. (Guangzhou) ("Biostime Guangzhou")*	PRC/Mainland China	US$73,010,000	100%	–	Research, development, processing of meat, fruit and vegetable powder and candy,sale of nutritional food, milk formulas and personal care products for infants and adults
Biostime (Guangzhou) Health Products Limited ("Biostime Health")*	PRC/Mainland China	US$34,100,000	100%	–	Research, development, manufacture and sale of health products and special nutritional foods
BMcare Baby Products Inc. (Guangzhou) ("BMcare Guangzhou")*	PRC/Mainland China	US$1,000,000	100%	–	Wholesale, retail and import and export of personal care products for infants
Biostime Pharma	France	EUR10,000	100%	–	Trading of infant food and nutritional products
Biostime (Guangzhou) Education Management Inc. ("Biostime Education")*	PRC/Mainland China	US$2,000,000	100%	–	Early childhood education advisory business and trading of related baby suppliers
Biostime International Investment Limited ("Biostime Investment")	BVI	US$814,999	100%	–	Overseas investments, financing and other business cooperation
Mama100 International Holdings Limited ("Mama100 Holdings")	Cayman Islands	HK$0.01	100%	–	Mama100 membership management, trading and sales

1. CORPORATE AND GROUP INFORMATION (Continued)

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Mama100 International Investment Limited ("Mama100 Investment")	BVI	US$1	–	100%	Overseas investments, financing and other business cooperation
Biostime Hong Kong Limited ("Biostime HK")	Hong Kong	HK$126,534,300	–	100%	Investment holding, international investment, trading and sales
Adimil (Changsha) Nutrition Products Limited ("Changsha Adimil")	PRC/Mainland China	RMB301,664,588	–	100%	Manufacture of infant formula products
Guangzhou Hapai Information Technology Co., Ltd. ("Guangzhou Hapai")*	PRC/Mainland China	US$10,000,000	–	100%	Software and information technology services
Guangzhou Mama100 E-commerce Co., Limited ("Mama100 E-commence")**	PRC/Mainland China	RMB10,000,000	–	100%	Online sales, software and information technology services
Healthy Times. Inc. ("Healthy Times")***	America	US$1,000	–	100%	Manufacture of organic baby foods and baby care products
Biostime Healthy Hong Kong Limited[Δ]	Hong Kong	AU$1	–	100%	Overseas investments, financing and other business cooperation
Biostime Healthy (BVI) Limited[Δ]	BVI	AU$1	100%	–	Overseas investments, financing and other business cooperation
Biostime Healthy (Cayman) Limited[Δ]	Cayman	AU$1	–	100%	Overseas investments, financing and other business cooperation
Biostime Healthy II (BVI) Limited[Δ]	BVI	AU$1	–	100%	Overseas investments, financing and other business cooperation
Biostime Healthy Australia Pty Ltd[Δ]	Australia	AU$1	–	100%	Overseas investments, financing and other business cooperation
Biostime Healthy Australia Holdings Pty Ltd[Δ]	Australia	AU$1	–	100%	Overseas investments, financing and other business cooperation

1. CORPORATE AND GROUP INFORMATION (Continued)

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Biostime Healthy Australia Investment Pty Ltd[Δ]	Australia	AU$1	–	100%	Investment holding, financing and other business cooperation
Swisse Wellness Group Pty Ltd ("Swisse")***	Australia	AU$6,963,111	–	83%	Investment holding, financing and other business cooperation
Swisse Wellness Pty Ltd***	Australia	AU$100	–	83%	Research, development, procurement and sale of vitamins, health supplements, skin care and sports nutrition products for adults
S W International Pty Ltd***	Australia	AU$100	–	83%	Investment holding, international investment, trading and sales
Swisse Wellness Pty Ltd (NZ)***	New Zealand	NZ$10,100	–	83%	Trading and sales
Swisse Wellness (UK) Limited***	United Kingdom	GBP£1	–	83%	Trading and sales
Swisse China Limited[Δ]	Hong Kong	HK$1	–	83%	Trading and sales
Noisy Beast Pty Ltd***#	Australia	AU$5,000	–	39%	Digital media and advertising
Noisy Beast UK Limited***#	United Kingdom	GBP£100	–	39%	Digital media and advertising

* Registered as a wholly-foreign-owned enterprise under the laws of the PRC.

** As a result of the Contractual Arrangements, the Group is exposed, or has rights, to variable returns from its involvement with Mama100 E-commerce and has the ability to affect those returns through its power over Mama100 E-commerce and is considered to control Mama100 E-commerce.

*** These subsidiaries were newly acquired during the year. Further details of the acquisition are included in note 37 to the financial statements.

\# Noisy Beast Pty Ltd and Noisy Beast UK Limited are accounted for as subsidiaries of the Group even though the Group has only 39% equity interests in these companies based on the factors explained in note 3 to the financial statements.

Δ These subsidiaries were newly set up during the year.

1. CORPORATE AND GROUP INFORMATION (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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 ("IASB") and the disclosure requirement of the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention except for a derivative financial instrument, which has been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 December 2015, the Group recorded net current liabilities of RMB2,041.3 million, which was mainly resulted from the bridge loan (the "Bridge Loan") of US$443.2 million (being the principal of US$450.0 million, netting off an upfront fee of US$6.8 million, and equivalent to approximately RMB2,900.9 million) obtained for the acquisition of 83% equity interest in Swisse as disclosed in note 37 to the financial statements. The Bridge Loan will be due for repayment on 27 September 2016.

The Group is in the process of refinancing the Bridge Loan by a syndicated loan. Up to the date of approval of these financial statements, internal credit approvals have been obtained from certain banks relating to the syndicated loan. The Directors of the Company believe that the Group will be able to secure the refinancing of the syndicated loan in due course. At the same time it will be able to continue to generate positive cash flows from its operations before the Bridge Loan falls due. On this basis, the Directors of the Company consider that the Group is able to meet in full its financial obligations as they fall due in the coming 12 months. Accordingly, the financial statements have been prepared by the Directors of the Company on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in the statement of profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to the statement of profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements:

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

The adoption of the above revised standards has had no significant financial effect on the financial statements of the Group.

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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 9	*Financial Instruments*[3]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
IFRS 16	*Leases*[4]
Amendments to IAS 1	*Disclosure Initiative*[1]
Amendments to IAS 7	*Disclosure Initiative*[2]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012–2014 Cycle	*Amendments to a number of* IFRSs[1]

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2017
[3] Effective for annual periods beginning on or after 1 January 2018
[4] Effective for annual periods beginning on or after 1 January 2019
[5] Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
[6] Originally intended to be effective for annual periods beginning on or after 1 January 2016, which has been deferred/removed by the IASB in December 2015. No mandatory effective date is yet determined.

Other than as further explained below, the directors do not anticipate that the application of the new and revised IFRSs above will have a material effect on the Group's consolidated financial statements and the disclosure.

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In July 2015, the IASB confirmed a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt IFRS 15 on 1 January 2018 and is currently assessing the impact of IFRS 15 upon adoption.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of the associate are included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investments in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investment in an associate.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposal of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 of disposal, 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.

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 profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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 profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 profit or loss 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 depreciates them accordingly.

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:

Building	4.5%
Plant and machinery	9% to 25%
Furniture, fixtures and office equipment	18% to 50%
Motor vehicles	18% to 25%
Leasehold improvements	8% to 38%

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 profit or loss 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 building, leasehold improvements and plant and machinery under construction, which 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. 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.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Trademark and brand name

Trademark and brand name acquired separately are measured at historical cost. Trademark and brand name acquired in a business combination are valued at fair value based on the royalty relief method. Trademarks with indefinite useful lives are tested for impairment annually.

Customer relationships/unpatented product formula/royalty agreement

Customer relationships, unpatented product formula and royalty agreement acquired in a business combination are recognised at fair value at the acquisition date. The intangible assets have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of 14 years, 15 years and 8 years for customer relationships, unpatented product formula and royalty agreement, respectively.

License

License is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 18 years.

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 5 years.

A summary of the useful lives is listed below:

	Years
Trademark and brand name	Indefinite
Customer relationships	14
Unpatented product formula	15
Royalty agreement	8
License	18
Computer software	5

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Research and development costs

All research costs are charged to profit or loss 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.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

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 profit or loss 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 are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, or as held-to-maturity investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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 profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments 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 fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in other expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- 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.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset 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. An impairment exists if one or more events that occurred after the initial recognition of the asset and that loss event have 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 whether impairment exists individually 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 individually 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

***Financial assets carried at amortised cost** (Continued)*

The amount of any impairment loss identified 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).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount 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 profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings.

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

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, and interest-bearing bank loans.

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

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 profit or loss when the liabilities are derecognised as well as through the effective interest rate 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 profit or loss.

Convertible bonds

Convertible bonds which entitle the holder to convert the bonds into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

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 profit or loss.

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 work in progress and 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 consolidated 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 profit or loss.

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 expire.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

- when 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 and an associate, when 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.

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

- when 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 and an associate, 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.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 the 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) from the rendering of services, on the percentage of completion basis;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

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

Share-based payment

The Company operates two share option schemes and two share award 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 after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. Further details of fair values are given in notes 33 and 34 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, 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 profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment (Continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether 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 and share awards to its subsidiaries' employees in exchange for their services provided to the subsidiaries. Accordingly, in the Company's statement of financial position, the equity-settled share option and share award 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.

Share-based payment

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.

The dilutive effect of outstanding options and shares held for the share award schemes are reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are recognised as a liability when they are approved by the shareholders in a general meeting. In prior years, final dividends proposed by the directors were classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. Following the implementation of the Hong Kong Companies Ordinance (Cap. 622), proposed final dividends are disclosed in the notes to the financial statements.

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 arising on settlement or translation of monetary items are taken to the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as the Company's net investment in a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss.

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 measured. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of the entities are translated into RMB at the exchange rates ruling at the end of the reporting period and their profits or losses are 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 profit or loss.

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 profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiaries 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 the financial statements:

Consolidation of entities in which the Group holds less than a majority of equity interest

The Group considers that it controls Noisy Beast (UK) Limited and Noisy Beast Pty Ltd even though it owns less than 50% of the equity interests. This is because the Group has a majority of voting rights to control the relevant activities of Noisy Beast (UK) Limited and Noisy Beast Pty Ltd.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Monetary item designated as the Company's net investment in a foreign operation

An inter-company loan provided by the Company to a foreign operation has been designated as the Company's net investment in a foreign operation as the directors consider that the Company would not demand the repayment of the inter-company loan from the foreign operation in the foreseeable future.

If the inter-company loan is considered to be repaid in the foreseeable future and is not designated as the Company's net investment in a foreign operation, the foreign exchange difference included in the other expense and the exchange fluctuation reserve would have been decreased by the same amount of approximately RMB70,560,000.

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 legislation 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 Mainland China 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 Mainland China 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 RMB34,404,000.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

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 described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also a suitable discount rate to calculate the present value of those cash flows. Further details are set out in note 14 to the financial statements.

Impairment of trademark and brand name

The Group determines whether the trademark and brand name is impaired at least on an annual basis. This requires an estimation of the value in use of the trademark and brand name. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the trademark and brand name and also a suitable discount rate to calculate the present value of those cash flows. Further details are set out in note 15 to the financial statements.

Provision for obsolete inventories

Management reviews the aged 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 2015, the carrying amounts of inventories were approximately RMB856,224,000 (2014: RMB797,027,000) after netting off the allowance for inventories of approximately RMB19,752,000 (2014: RMB5,953,000).

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.

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and had four segments, named the infant formulas segment, the probiotic supplements segment, the dried baby food and nutrition supplements segment and the baby care products segment in prior years. During the year 2015, a new reportable operating segment, named the adult nutrition and care products segment, was launched after the acquisition of Swisse, as set out in note 37 to the financial statements. Thus, the Group has five reportable operating segments as follows:

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

(b) the adult nutrition and care products segment comprises the production of vitamins, health supplements, skin care and sports nutrition products for adults;

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

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

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

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

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

During the years ended 31 December 2015 and 2014, 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)

Operating segment information for the year ended 31 December 2015:

	Infant formulas RMB'000	Adult nutrition and care products RMB'000	Probiotic supplements RMB'000	Dried baby food and nutrition supplements RMB'000	Baby care products RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	**3,355,849**	**849,903**	**389,384**	**113,715**	**109,710**	**–**	**4,818,561**
Segment results	**2,124,119**	**520,916**	**258,568**	**55,971**	**24,991**	**–**	**2,984,565**
Reconciliations:							
Interest income							**118,697**
Other income and unallocated gains							**25,300**
Corporate and other unallocated expenses							**(2,470,600)**
Finance costs							**(154,022)**
Profit before tax							**503,940**
Other segment information:							
Depreciation and amortisation	**10,421**	**21,683**	**2,461**	**766**	**148**	**51,694**	**87,173**
Impairment of trade receivables	**–**	**3,936**	**–**	**–**	**–**	**–**	**3,936**
Write-down/(back) of inventories to net realisable value	**1,855**	**6,695**	**(10)**	**(364)**	**(482)**	**–**	**7,694**
Capital expenditure*	**23,068**	**2,632,071**	**67,753**	**–**	**–**	**39,551**	**2,762,443**

4. OPERATING SEGMENT INFORMATION (Continued)

Operating segment information for the year ended 31 December 2014:

	Infant Formulas RMB'000	Adult nutrition and care products RMB'000	Probiotic supplements RMB'000	Dried baby food and nutrition supplements RMB'000	Baby care products RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue:							
Sales to external customers	3,981,575	–	425,094	151,420	173,474	–	4,731,563
Segment results	2,466,913	–	303,707	74,345	81,966	–	2,926,931
Reconciliations:							
Interest income							113,119
Other income and unallocated gains							14,946
Corporate and other unallocated expenses							(1,849,988)
Finance costs							(86,673)
Profit before tax							1,118,335
Other segment information:							
Depreciation and amortisation	2,679	–	1,540	623	85	45,740	50,667
Impairment of trade receivables	–	–	–	–	–	–	–
Write-down/(back) of inventories to net realisable value	781	–	210	(93)	86	–	984
Capital expenditure*	44,306	–	530	–	36	152,217	197,089

* Capital expenditure consists of additions to property, plant and equipment and intangible assets including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) Revenue from external customers

	2015 **RMB'000**	2014 RMB'000
Mainland China	**3,973,925**	4,731,563
Australia	**756,404**	–
Other countries	**88,232**	–
	4,818,561	4,731,563

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2015 **RMB'000**	2014 RMB'000
Mainland China	**758,464**	701,718
Australia	**2,763,024**	–
Other countries	**689**	–
	3,522,177	701,718

The non-current asset information above is based on the locations of the assets and excludes financial instruments, deferred tax assets and goodwill.

5. REVENUE, OTHER INCOME AND GAINS

Revenue 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 revenue, other income and gains is as follows:

	2015 RMB'000	2014 RMB'000
Revenue		
Sale of goods	**4,818,561**	4,731,563
Other income and gains		
Bank interest income	**108,520**	105,034
Interest income from loans and bonds receivables	**10,177**	8,085
Service income	**988**	1,239
Government subsidies	**17,348**	10,581
Others	**6,964**	3,126
	143,997	128,065

6. FINANCE COSTS

	2015 RMB'000	2014 RMB'000
Interest on bank loans and convertible bonds	**154,022**	86,673

7. PROFIT BEFORE TAX

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

	Notes	**2015 RMB'000**	2014 RMB'000
Cost of inventories sold		**1,826,302**	1,803,648
Depreciation	12	**58,629**	41,879
Amortisation of intangible assets	15	**27,066**	7,310
Amortisation of land lease payments	13	**1,478**	1,478
Auditors' remuneration		**4,006**	2,900
Research and development costs*		**83,980**	49,724
Minimum lease payments under operating leases		**52,124**	55,255
Loss on disposal of items of property, plant and equipment		**4,355**	97
Employee benefit expenses (including directors' and chief executive's remuneration) (note 8(a)):			
Wages and salaries		**552,093**	558,308
Pension scheme contributions (defined contribution schemes)		**112,743**	109,087
Staff welfare and other expenses		**59,848**	31,926
Equity-settled share option expense	33	**(10,619)**	4,488
Equity-settled share award expense	34	**(9,963)**	12,044
		704,102	715,853
Foreign exchange differences, net*		**88,518**	8,187
Fair value losses on derivative financial instruments*		**18,490**	–
Impairment of trade receivables*	22	**3,936**	–
Write-down of inventories to net realisable value#		**7,694**	984

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

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' and chief executive's remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 RMB'000	2014 RMB'000
Fees	**1,780**	1,780
Other emoluments:		
Salaries, allowances and benefits in kind	**9,501**	4,123
Performance-related bonuses	**363**	9,445
Equity-settled share option expense	**(698)**	288
Equity-settled share award expense	**(343)**	411
Pension scheme contributions	**151**	134
	8,974	14,401
	10,754	16,181

During the year and in prior years, share options were granted to the directors and chief executive in respect of their services to the Group, further details of which are set out in note 33 to the financial statements. Besides, share awards were granted to the directors and chief executive in respect of their services to the Group, further details of which are set out in note 34 to the financial statements. The fair values of these options and share awards, which have been recognised in profit or loss over the vesting period, were determined as at the dates of grant and the amounts included in the financial statements for the current year are included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(a) Directors' and chief executive's remuneration (Continued)

The remuneration of each of the directors and the chief executive for the year ended 31 December 2015 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Equity-settled share option expense RMB'000	Equity-settled share award expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2015							
Executive directors:							
Mr. Luo Fei *(Chief executive)*	200	6,235	244	(433)	(216)	76	6,106
Ms. Kong Qingjuan*	200	3,266	119	(266)	(127)	76	3,268
	400	9,501	363	(699)	(343)	152	9,374
Non-executive directors:							
Mr. Luo Yun	120	–	–	–	–	–	120
Mr. Wu Xiong	120	–	–	–	–	–	120
Mr. Chen Fufang	120	–	–	–	–	–	120
Dr. Zhang Wenhui	120	–	–	–	–	–	120
	480	–	–	–	–	–	480
Independent non-executive directors:							
Mr. Ngai Wai Fung	300	–	–	–	–	–	300
Mr. Tan Wee Seng	300	–	–	–	–	–	300
Professor Xiao Baichun	300	–	–	–	–	–	300
	900	–	–	–	–	–	900
	1,780	9,501	363	(699)	(343)	152	10,754

* Ms. Kong Qingjuan has tendered her resignation as an executive director of the Company with effect from 21 January 2016.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(a) Directors' and chief executive's remuneration (Continued)

The remuneration of each of the directors and the chief executive for the year ended 31 December 2014 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance-related bonuses RMB'000	Equity-settled share option expense RMB'000	Equity-settled share award expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2014							
Executive directors:							
Mr. Luo Fei (Chief executive)	200	2,740	6,311	178	261	67	9,757
Ms. Kong Qingjuan	200	1,383	3,134	110	150	67	5,044
	400	4,123	9,445	288	411	134	14,801
Non-executive directors:							
Mr. Luo Yun	120	–	–	–	–	–	120
Mr. Wu Xiong	120	–	–	–	–	–	120
Mr. Chen Fufang	120	–	–	–	–	–	120
Dr. Zhang Wenhui	120	–	–	–	–	–	120
	480	–	–	–	–	–	480
Independent non-executive directors:							
Mr. Ngai Wai Fung	300	–	–	–	–	–	300
Mr. Tan Wee Seng	300	–	–	–	–	–	300
Professor Xiao Baichun	300	–	–	–	–	–	300
	900	–	–	–	–	–	900
	1,780	4,123	9,445	288	411	134	16,181

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

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(b) Five highest paid employees

The five highest paid employees during the year included two (2014: two) directors, details of whose remuneration are set out in note 8(a) above. Details of the remuneration for the year of the remaining three (2014: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	**7,135**	4,037
Performance-related bonuses	**3,246**	10,328
Equity-settled share option expense	**(476)**	257
Equity-settled share award expense	**(330)**	681
Pension scheme contributions	**151**	200
	9,726	15,503

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

	2015	2014
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$5,000,000	**2**	–
HK$5,000,001 to HK$6,000,000	**–**	1
HK$6,000,001 to HK$7,000,000	**–**	1
HK$7,000,001 to HK$8,000,000	**–**	1
	3	3

During the year and in prior years, share options were granted to the non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 33 to the financial statements. Besides, share awards were granted to the non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are set out in note 34 to the financial statements. The fair values of these share options and share awards, which have been recognised in profit or loss over the vesting period, were determined as at the dates of grant and the amount included in the financial statements for the current year are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

9. INCOME TAX

	2015 RMB'000	2014 RMB'000
Current – Charge for the year		
Mainland China	**128,777**	355,130
Hong Kong	**3,271**	5,759
Australia	**5,330**	–
Elsewhere	**935**	356
Deferred (note 30)	**72,306**	(49,696)
Total tax charge for the year	**210,619**	311,549

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.

PRC enterprise income tax ("EIT")

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

Hong Kong profits tax

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

9. INCOME TAX (Continued)

Australia corporate income tax

Australia corporate income tax has been provided at the rate of 30% on the estimated assessable profits arising in Australia.

	2015 RMB'000	2014 RMB'000
Profit before tax	**503,940**	1,118,335
Tax at the applicable PRC enterprise income tax rate	**125,985**	279,584
Overseas tax differential	**29,390**	2,357
Expenses not deductible for tax	**50,801**	18,280
Tax losses utilised from previous periods	**(8,322)**	–
Income not subject to tax	**(8,514)**	(5,194)
Tax losses not recognised	**17,691**	2,370
Adjustment in respect of current tax of previous periods	**(1,423)**	–
Effect of withholding tax at 5% (2014: 5%) on the distributable profits of the Group's subsidiaries in Mainland China	**5,011**	14,152
Tax charge at the Group's effective rate	**210,619**	311,549

10. DIVIDENDS

	2015 RMB'000	2014 RMB'000
Interim — Nil (2014: HK$0.26) per ordinary share	**–**	124,315
Proposed final — Nil (2014: HK$0.41) per ordinary share	**–**	196,944
	–	321,259

No interim or final dividend was proposed during year ended 31 December 2015.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the adjusted weighted average number of ordinary shares of 610,508,776 (2014: 602,326,189) in issue during the year.

The calculation of the diluted earnings per share amount for the year 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 of diluted earnings per share is the adjusted weighted average 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 under the share option schemes and share award schemes. As the conversion or exercise of convertible bonds would have an antidilutive effect on earnings per share, the calculation of diluted earnings per share does not assume conversion or exercise of potential ordinary shares of convertible bonds.

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

	2015	2014
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**251,461**	806,786
	Number of Shares	
Shares		
Weighted average number of ordinary shares in issue	**613,925,551**	604,420,682
Weighted average number of shares held for the share award schemes	**(3,416,775)**	(2,094,493)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	**610,508,776**	602,326,189
Effect of dilution – weighted average number of ordinary shares: Share options and awarded shares	**10,983,717**	11,632,885
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	**621,492,493**	613,959,074

12. PROPERTY, PLANT AND EQUIPMENT

	Note	Buildings RMB'000	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 2015		89,351	72,169	100,814	46,929	14,747	268,713	592,723
Acquisition of subsidiaries	37	–	34,510	8,848	662	12,725	6,095	62,840
Additions		1,624	12,518	14,169	4,382	12,433	64,297	109,423
Disposals		–	(6,301)	(7,016)	(517)	(9,425)	–	(23,259)
Transfers		183,224	106,489	3,420	–	19,837	(313,367)	(397)*
Exchange alignment		–	2,045	527	40	771	366	3,749
At 31 December 2015		274,199	221,430	120,762	51,496	51,088	26,104	745,079
Accumulated depreciation:								
At 1 January 2015		4,960	15,925	56,910	22,944	13,952	–	114,691
Acquisition of subsidiaries	37	–	29,225	6,081	598	5,333	–	41,237
Depreciation provided during the year		11,199	15,648	21,482	7,699	2,601	–	58,629
Disposals		–	(5,991)	(6,276)	(809)	(5,900)	–	(18,976)
Exchange alignment		–	1,772	370	36	325	–	2,503
At 31 December 2015		16,159	56,579	78,567	30,468	16,311	–	198,084
Net carrying amount:								
At 31 December 2015		258,040	164,851	42,195	21,028	34,777	26,104	546,995

* During the year, construction in progress amounting to RMB397,000 was transferred to intangible assets, as disclosed in note 15 to the financial statements.

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	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 2014	89,337	64,325	85,379	33,889	14,461	113,039	400,430
Additions	14	6,616	16,730	14,916	286	156,996	195,558
Disposals	–	(11)	(1,274)	(1,876)	–	–	(3,161)
Transfers	–	1,322	–	–	–	(1,322)	–
Exchange alignment	–	(83)	(21)	–	–	–	(104)
At 31 December 2014	89,351	72,169	100,814	46,929	14,747	268,713	592,723
Accumulated depreciation:							
At 1 January 2014	–	8,786	36,988	16,333	12,136	–	74,243
Depreciation provided during the year	4,960	7,177	21,051	6,875	1,816	–	41,879
Disposals	–	(5)	(1,117)	(264)	–	–	(1,386)
Exchange alignment	–	(33)	(12)	–	–	–	(45)
At 31 December 2014	4,960	15,925	56,910	22,944	13,952	–	114,691
Net carrying amount:							
At 31 December 2014	84,391	56,244	43,904	23,985	795	268,713	478,032

13. PREPAID LAND LEASE PAYMENTS

	2015 **RMB'000**	2014 RMB'000
Carrying amount at 1 January	**64,721**	66,199
Recognised during the year *(note 7)*	**(1,478)**	(1,478)
Carrying amount at 31 December	**63,243**	64,721
Current portion included in prepayments, deposits and other receivables *(note 23)*	**(1,478)**	(1,478)
Non-current portion	**61,765**	63,243

14. GOODWILL

	2015 **RMB'000**	2014 RMB'000
Cost:		
At 1 January	**76,000**	76,000
Acquisition of subsidiaries (note 37)	**4,613,711**	–
Exchange alignment	**266,681**	–
At 31 December	**4,956,392**	76,000
Accumulated impairment:		
At 1 January	**–**	–
Impairment provided during the year	**–**	–
At 31 December	**–**	–
Net carrying amount:		
At 31 December	**4,956,392**	76,000

14. GOODWILL (Continued)

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the following cash-generating units for impairment testing:

	2014 RMB'000	Addition RMB'000	Exchange alignment RMB'000	2015 RMB'000
Infant formulas	76,000	–	–	**76,000**
Dried baby food and nutrition supplements	–	58,919	–	**58,919**
Adult nutrition and care products	–	4,554,792	266,681	**4,821,473**
	76,000	4,613,711	266,681	**4,956,392**

The recoverable amount of each cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. Cash flows beyond the forecast period are extrapolated using the estimated growth rates stated below:

For each of the cash-generating units with a significant amount of goodwill, the key assumptions, long term growth rates and discount rates used in the value-in-use calculations in 2015 are as follows:

	Infant formulas	Dried baby food and nutrition supplements	Adult nutrition and care products
Sales amount (% annual growth rate)	4%-5%	10%-20%	7%-19%
Gross margin (% of revenue)	25%-26%	50%-56%	64%
Long term growth rate	3%	3%	3%
Pre-tax discount rate	16.7%	17.9%	18.9%

Budgeted sales amounts – The budgeted sales amounts are based on the historical data and management's expectation on the future market.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Raw materials price inflation – The basis used to determine the value assigned to raw materials price inflation is the forecast price indices during the budget year for countries from where the raw materials are sourced.

The values assigned to the key assumptions on market development of the cash-generating units, discount rates and raw materials price inflation are consistent with external information sources.

15. INTANGIBLE ASSETS

	Notes	Trademark and brand name RMB'000	License RMB'000	Customer relationship RMB'000	Royalty agreement RMB'000	Unpatented product formula RMB'000	Computer software and others RMB'000	Total RMB'000
Cost:								
At 1 January 2015		–	103,780	–	–	–	9,103	112,883
Acquisition of subsidiaries	*37*	1,673,224	–	795,022	79,805	49,467	7,734	2,605,252
Additions		130	–	–	–	–	31,116	31,246
Transfer from construction in progress		–	–	–	–	–	397	397
Disposal		–	–	–	–	–	(793)	(793)
Exchange alignment		100,753	–	47,871	4,805	2,979	466	156,874
At 31 December 2015		1,774,107	103,780	842,893	84,610	52,446	48,023	2,905,859
Accumulated amortisation:								
At 1 January 2015		–	5,766	–	–	–	3,007	8,773
Acquisition of subsidiaries	*37*	–	–	–	–	–	5,082	5,082
Amortisation provided during the year		–	5,766	14,677	2,578	852	3,193	27,066
Disposal		–	–	–	–	–	(542)	(542)
Exchange alignment		–	–	375	66	22	318	781
At 31 December 2015		–	11,532	15,052	2,644	874	11,058	41,160
Net carrying amount:								
At 31 December 2015		1,774,107	92,248	827,841	81,966	51,572	36,965	2,864,699

15. INTANGIBLE ASSETS (Continued)

	Trademark and brand name RMB'000	License RMB'000	Customer relationship RMB'000	Royalty agreement RMB'000	Unpatented product formula RMB'000	Computer software and others RMB'000	Total RMB'000
Cost:							
At 1 January 2014	–	103,780	–	–	–	7,572	111,352
Additions	–	–	–	–	–	1,531	1,531
At 31 December 2014	–	103,780	–	–	–	9,103	112,883
Accumulated amortisation:							
At 1 January 2014	–	–	–	–	–	1,463	1,463
Amortisation provided during the year	–	5,766	–	–	–	1,544	7,310
At 31 December 2014	–	5,766	–	–	–	3,007	8,773
Net carrying amount:							
At 31 December 2014	–	98,014	–	–	–	6,096	104,110

Impairment testing of trademark and brand name

Management regarded trademark and brand name having an indefinite useful life because it is expected to generate net cash inflows indefinitely. And the value of trademark and brand name with indefinite useful life was assessed annually by using the relief-from royalty method calculated based on a five-year cash flow projection approved by senior management. The value is determined by estimating the value of future forgone royalty payments with the royalty saving ratio over the life of the asset by virtue of owning the asset.

The key assumptions, long term growth rate and discount rate used in the annual impairment testing of trademark and brand name with indefinite useful life in 2015 are as follows:

Sales amount (% annual growth rate)	5%–20%
Royalty saving ratio (%)	11%
Long term growth rate	3%

Sales amount is the average annual growth rate over the forecast period. It is based on past performance and management's expectations of market development of the trademark and brand name.

The growth rate assumption was in accordance with the Group's business plan and latest competitive landscape of the industry.

16. BONDS RECEIVABLE

	2015 RMB'000	2014 RMB'000
Bonds receivable	**124,003**	130,302

The Group entered into a Bond Subscription Agreement with Isigny Sainte Mère ("ISM") on 30 July 2013, pursuant to which ISM would issue, and the Group would subscribe for 17,477,075 bonds, with a nominal value of EUR1 per bond, in three separate tranches, at the subscription price equal to the nominal value of the bonds. As at 31 December 2015, the Group has subscribed for 17,477,075 bonds (2014: 17,477,075 bonds).

The bonds bear interest at a rate of 5% per annum on the outstanding principal amount of the bonds. The maturity date of the bonds shall be 30 July 2023, 10 years from the date of the Bond Subscription Agreement.

17. LOANS RECEIVABLE

	2015 RMB'000	2014 RMB'000
Current portion of loans receivable	**21,984**	39,457
Loans receivable due after one year	**54,896**	53,531
Total loans receivable	**76,880**	92,988

	Effective interest rate	Maturity	2015 RMB'000	2014 RMB'000
Denominated in United States dollars (the "US$")	3.00%	By instalments before December 2018	**27,348**	32,654
Denominated in Danish krones (the "DKK")	DKK CIBOR rate +1%	By instalments before January 2017	**49,532**	60,334
Total loans receivable			**76,880**	92,988

Loans receivable represent the loans provided to suppliers for the purpose of financing suppliers' production capacity to fulfil the purchase requirement of the Group and are repayable by instalments as stipulated in the loan agreements.

The loan receivable denominated in US$ is convertible at the option of the Company at any time before maturity into equity interest of the unlisted borrower, which may not exceed 49% of the outstanding equity interests of the borrower. The convertible loan is redeemable under certain circumstances before the maturity.

17. LOANS RECEIVABLE (Continued)

The convertible loan is separated into two components: the debt element and the conversion option element. The Group has classified the debt element and the conversion option element as loan receivable and derivative financial instrument, respectively. Details of the conversion option element are included in note 27 to the financial statements. The carrying amounts of the current portion and non-current portion of loans receivable approximate to their fair values.

18. DEPOSITS

	2015 **RMB'000**	2014 RMB'000
Deposits paid for purchase of items of property, plant and equipment	**4,486**	9,809
Rental deposits	**4,027**	5,932
	8,513	15,741

19. INVESTMENT IN AN ASSOCIATE

	2015 **RMB'000**	2014 RMB'000
Share of net assets	**40,205**	40,592
Loan to an associate	**40,000**	40,000

The loan to an associate is unsecured, bears interest at a rate of 3% per annum, and is repayable at 31 October 2016.

The trade payable balance with the associate is disclosed in note 25 to the financial statements.

Particulars of the associate are as follows:

Name	**Particulars of registered share capital**	**Place of registration and business**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Hangzhou Coamie Personal Care Products Co., Ltd.	Registered capital of RMB100 million	PRC/Mainland China	40	Manufacture, retail and import and export of baby diapers

The Group's shareholding in the associate represents equity shares held through a wholly-owned subsidiary of the Company.

19. INVESTMENT IN AN ASSOCIATE (Continued)

The following table illustrates the financial information of the Group's associate that is not material to the Group:

	2015 **RMB'000**	2014 RMB'000
Share of the associate's profit for the year	**(387)**	592
Share of the associate's comprehensive income	**(387)**	592
Carrying amount of the Group's investment in the associate	**40,205**	40,592

20. HELD-TO-MATURITY INVESTMENT

	2015 **RMB'000**	2014 RMB'000
Investment in ISM	**17,901**	18,810

Pursuant to the Framework Agreement entered into with ISM on 1 July 2013, Biostime Pharma, a wholly-owned subsidiary of the Group, subscribed for 504,585 shares in the share capital of ISM ("Subscription Shares") with a nominal value of EUR5 per share and representing 20% of the total issued share capital of ISM as enlarged by the issuance of the Subscription Shares. Biostime Pharma is the only non-cooperative shareholder of ISM, while all the other shareholders of ISM are cooperative shareholders. ISM undertakes to use the proceeds from issuance of the Subscription Shares exclusively for the purpose of the financing of the infant formula production and packaging industrial facility.

In accordance with applicable law, the subscription price was determined as equivalent to the Subscription Shares' nominal value with no premium applicable. Pursuant to the Framework Agreement and the bylaws of ISM ("Bylaws"), in the event that the Subscription Shares are redeemed by ISM as a result of withdrawal by Biostime Pharma or exclusion of Biostime Pharma by ISM from ISM's share capital, the redemption price of the Subscription Shares shall be equal to the nominal value of the Subscription Shares.

Pursuant to the relevant French law and the Bylaws, notwithstanding the number of shares held by Biostime Pharma, the voting rights of Biostime Pharma (represented by its delegates), as a non-cooperative shareholder, shall not exceed 10% of all voting rights in the general meeting of shareholders of ISM.

20. HELD-TO-MATURITY INVESTMENT (Continued)

The Subscription Shares, as shares of ISM held by a non-cooperative shareholder, will give rise to the payment of interest at a rate equal to the interest rate applicable to the shares subscribed by the cooperative shareholders of ISM plus 2% per annum. The interest due in respect of the Subscription Shares shall be paid by priority with respect to the interest payable to the cooperative shareholders of ISM.

Biostime Pharma undertakes to hold the Subscription Shares for a minimum period of 15 years subject to (i) any early termination of the Manufacturing Agreement (with an initial term of 15 years commencing on 1 July 2013), or (ii) the withdrawal or exclusion of Biostime Pharma from ISM's share capital under certain situations as specified in the Framework Agreement and in accordance with the Bylaws. After the expiration of this 15-year period, Biostime Pharma shall remain as a non-cooperative shareholder of ISM as long as the Manufacturing Agreement is in force and effect, unless Biostime Pharma decides to withdraw from ISM pursuant to the Bylaws.

21. INVENTORIES

	2015 **RMB'000**	2014 RMB'000
Raw materials	**357,315**	535,693
Raw materials in transit	**142,104**	156,031
Work in progress	**4,711**	2,491
Finished goods	**352,094**	102,812
	856,224	797,027

22. TRADE AND BILLS RECEIVABLES

	2015 **RMB'000**	2014 RMB'000
Trade receivables	**625,013**	1,529
Bills receivable	**3,000**	10,514
	628,013	12,043
Less: Impairment provision	**(5,171)**	–
	622,842	12,043

22. TRADE AND BILLS RECEIVABLES (Continued)

Advance payment is normally required for sales to customers in Mainland China except in very limited circumstances for credit sales. Sales to customers in Australia and other countries allowed credit sales with credit terms of 30 to 60 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

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

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2015 **RMB'000**	2014 RMB'000
Within 1 month	**289,922**	1,513
1 to 3 months	**313,809**	10,529
Over 3 months	**19,111**	1
	622,842	12,043

The above aged analysis included the bills receivable balance of RMB3,000,000 (2014: RMB10,514,000).

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

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

	2015 **RMB'000**	2014 RMB'000
At beginning of year	**–**	–
Acquisition of subsidiaries	**3,819**	–
Impairment losses recognised (note 7)	**4,170**	–
Amount written off as uncollectible	**(2,584)**	–
Impairment losses reversed (note 7)	**(234)**	–
	5,171	–

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB5,171,000 (2014: Nil) with a carrying amount before provision of RMB5,171,000 (2014: Nil).

The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables are expected not to be recovered.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 RMB'000	2014 RMB'000
Prepayments	**4,578**	31,172
Deposits	**3,164**	1,202
Other receivables	**159,732**	87,330
Prepaid expenses	**50,028**	16,285
Current portion of prepaid land lease payments *(note 13)*	**1,478**	1,478
	218,980	137,467

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

24. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND PLEDGED DEPOSITS

	2015 RMB'000	2014 RMB'000
Cash and bank balances	**937,426**	1,868,280
Time deposits	**330,968**	2,625,060
Pledged deposits	**1,927,000**	–
	3,195,394	4,493,340
Less:		
Non-pledged time deposits with maturity date after one year	**(70,159)**	(1,146,183)
Pledged deposits for bank loans with maturity date within one year	**(1,677,000)**	–
Pledged deposits for bank loans with maturity date after one year	**(250,000)**	–
Cash and cash equivalents as stated in the consolidated statement of financial position	**1,198,235**	3,347,157
Less:		
Non-pledged time deposits with original maturity of three months or more when acquired	**(83,000)**	(900,000)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**1,115,235**	2,447,157
Denominated in RMB *(note)*	**2,774,053**	3,598,252
Denominated in other currencies	**421,341**	895,088
	3,195,394	4,493,340

Note:

The RMB 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.

24. CASH AND CASH EQUIVALENTS, TIME DEPOSITS AND PLEDGED DEPOSITS (Continued)

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between three months and one year depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates. Long-term time deposits are with an original maturity over one year when acquired. The carrying amounts of the cash and cash equivalents and the time deposits approximate to their fair values. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE AND BILLS PAYABLES

	2015 RMB'000	2014 RMB'000
Trade payables	**610,558**	289,529
Bills payable	**8,153**	5,013
	618,711	294,542

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

	2015 RMB'000	2014 RMB'000
Within 1 month	**370,967**	273,967
1 to 3 months	**220,867**	19,825
Over 3 months	**26,877**	750
	618,711	294,542

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

Included in the trade payables are amounts due to an associate of RMB5,169,000 (2014: RMB20,498,000), which are repayable within 30 days, which represents credit terms similar to those offered by the associate to its major customers.

26. OTHER PAYABLES AND ACCRUALS

	2015 RMB'000	2014 RMB'000
Advances from customers	**50,061**	11,725
Salaries and welfare payables	**66,702**	87,900
Accruals	**708,457**	402,252
Other tax payables	**78,655**	114,187
Deferred income (note 31)	**23,707**	31,397
Other payables	**226,663**	90,033
	1,154,245	737,494
Less:		
Non-current portion	**(28,696)**	–
Current portion	**1,125,549**	737,494

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

27. DERIVATIVE FINANCIAL INSTRUMENTS

		2015		2014	
		Assets	Liabilities	Assets	Liabilities
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
Convertible option embedded in a loan receivable	*(a)*	**2,728**	**–**	2,570	–
Forward currency contracts	*(b)*	**–**	**5,559**	–	–
Put option embedded in a Roll-Up Call Option	*(c)*	**–**	**13,446**	–	–
		2,728	**19,005**	2,570	–

(a) As described in note 17, the convertible loan is separated into two components: the debt element and the conversion option element. The fair value of the conversion option at 31 December 2015 was RMB2,728,000 (31 December 2014: RMB2,570,000). Fair value loss on the conversion option of RMB2,000 (2014: Nil) was recognised in profit or loss during the year.

(b) The Group has entered into various forward currency contracts to manage its exchange rate exposures. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. The fair value of the forward currency contracts as at 31 December 2015 was RMB5,559,000 (2014: Nil). A net fair value loss on forward currency contracts of RMB5,421,000 (2014:Nil) was recognised in profit or loss during the year.

27. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

(c) Biostime Healthy Australia Investment Pty Ltd ("Biostime Australia Investment"), one of the Company's subsidiaries, entered into a roll-up call option deed ("Roll-Up Call Option Deed") with the non-controlling shareholders of Swisse simultaneously with the acquisition of Swisse. Under the Roll-Up Call Option Deed, Biostime Australia Investment has the right to require the non-controlling shareholder of Swisse to sell all of the shares they continue to hold in Swisse after completion of the acquisition, in exchange for an issue of shares representing an equivalent stake in Biostime Australia Holdings Pty Ltd ("Biostime Australia Holdings"), an indirect subsidiary of the Company in an agreed period.

At the same time with the completion of the exercise of the Roll-Up Call Option, a put option, with a financial indebtedness adjustment clause embedded, would be granted to the non-controlling shareholders. The Group has recognised the put option embedded in the Roll-Up Call Option as derivative financial instrument at 30 September 2015 with an amount of RMB358,000.

The fair value of the put option embedded in the Roll-Up Call Option at 31 December 2015 was RMB13,446,000 (31 December 2014: Nil). Changes in fair value of put option embedded in the Roll-Up Call Option amounting to RMB13,067,000 (2014: Nil) were charged to profit or loss during the year.

28. INTEREST-BEARING BANK LOANS

	2015			2014		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Secured bank loan	**Libor+2.5%**	**Sep-2016**	**2,900,929**	–	–	–
Secured bank loan	**4.140%**	**Mar-2016**	**830,000**	–	–	–
Secured bank loan	**Libor+0.875%**	**Mar-2016**	**779,236**	–	–	–
Secured bank loan	**Libor+1.2%**	**Mar-2016**	**194,809**	–	–	–
Unsecured bank loan	**Libor+0.75%**	**Mar-2016**	**35,476**	–	–	–
			4,740,450			–

28. INTEREST-BEARING BANK LOANS (Continued)

Notes:

(a) Certain of the Group's bank loans are secured and guaranteed by:

(i) the pledge of certain of the Group's time deposits amounting to RMB1,927,000,000 (2014: Nil);

(ii) the pledge of certain of the Company's direct and indirect equity interest in its subsidiaries, namely Biostime Hong Kong Limited, Mama100 International Holdings Limited, Mama100 International Investment Limited, Biostime International Investment Limited, Biostime Healthy (BVI) Limited, Biostime Healthy (Cayman) Limited, Biostime Healthy II (BVI) Limited, Biostime Healthy Hong Kong Limited, Biostime (Guangzhou) Health Products Limited, Biostime Inc. (Guangzhou), BMcare Baby Products Inc. (Guangzhou), Adimil (Changsha) Nutrition Products Limited, Biostime Healthy Australia Pty Ltd., Biostime Healthy Australia Holdings, Biostime Healthy Australia Investment and Swisse;

(iii) certain of the Company's direct and indirect subsidiaries, Biostime Hong Kong Limited, Mama100 International Holdings Limited, Mama100 International Investment Limited, Biostime International Investment Limited, Biostime Healthy (BVI) Limited, Biostime Healthy (Cayman) Limited, Biostime Healthy II (BVI) Limited, Biostime Healthy Hong Kong Limited, Biostime Healthy Australia Pty Ltd., Biostime Australia Holdings, Biostime Australia Investment and the Company have provided security over any intra-group receivables lent by them to other entities of the Group; The Company has also provided security over intra-group loans lent to other entities of the Group;

(iv) each of Biostime Healthy (BVI) Limited, Biostime Healthy (Cayman) Limited, Biostime Healthy II (BVI) Limited and Biostime Healthy Hong Kong Limited has provided (all assets) security, including security over their accounts, book debts and certain contracts and each of Biostime Healthy Australia Pty Ltd., Biostime Australia Holdings and Biostime Australia Investment has provided general (all assets) security for certain of the Group's bank loans, including security over Biostime Australia Investment's equity interest in Swisse;

(v) Swisse, Swisse Wellness Pty Ltd and SWG Holdco Pty Ltd acceded as guarantors for certain of the Group's bank loans.

(b) At 31 December 2015, the Group's bank loans were denominated in RMB, US$ and Euro at aggregate amounts of RMB830,000,000, RMB3,874,974,000 and RMB35,476,000, respectively.

29. CONVERTIBLE BONDS

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

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

29. CONVERTIBLE BONDS (Continued)

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

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

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

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

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

	2015 **RMB'000**
Nominal value of convertible bonds issued	**2,460,625**
Equity component	**(66,978)**
Direct transaction costs	**(46,255)**
Liability component at the issuance date	**2,347,392**
Interest expense in 2014	**77,983**
Exchange alignment in 2014	**(14,849)**
Liability component at 31 December 2014	**2,410,526**
Interest expense in 2015	**95,015**
Exchange alignment in 2015	**153,516**
Liability component at 31 December 2015	**2,659,057**

30. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Provision for impairment of assets RMB'000	Accrued liabilities and future deductible expenses RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Deferred income RMB'000	Total RMB'000
At 1 January 2015	**1,527**	**93,058**	**26,461**	**7,850**	**128,896**
Acquisition of subsidiaries *(note 37)*	**–**	**142,515**	**–**	**–**	**142,515**
Credited/(charged) to the profit or loss for the year *(note 9)*	**644**	**(88,474)**	**10,762**	**(1,923)**	**(78,991)**
Exchange alignment	**–**	**5,641**	**–**	**–**	**5,641**
At 31 December 2015	**2,171**	**152,740**	**37,223**	**5,927**	**198,061**
At 1 January 2014	1,266	89,108	20,576	12,942	123,892
Credited/(charged) to the profit or loss for the year *(note 9)*	261	3,950	5,885	(5,092)	5,004
At 31 December 2014	1,527	93,058	26,461	7,850	128,896

30. DEFERRED TAX (Continued)

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation RMB'000	Withholding tax on distributable profits of subsidiaries in the PRC RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Total RMB'000
At 1 January 2015	**–**	**16,305**	**19,619**	**35,924**
Acquisition of subsidiaries *(note 37)*	**9,201**	**–**	**778,317**	**787,518**
(Credited)/charged to the profit or loss for the year *(note 9)*	**(4,938)**	**5,011#**	**(6,758)**	**(6,685)**
Exchange alignment	**428**	**–**	**46,727**	**47,155**
At 31 December 2015	**4,691**	**21,316**	**837,905**	**863,912**
At 1 January 2014	–	59,671	20,945	80,616
(Credited)/charged to the profit or loss for the year *(note 9)*	–	(43,366)#	(1,326)	(44,692)
At 31 December 2014	–	16,305	19,619	35,924

The amount as at 31 December 2015 represented a deferred tax provision of RMB5,011,000 (31 December 2014: RMB14,152,000) on the distributable profits of the Company's subsidiaries in Mainland China after offsetting the realised deferred tax liabilities of nil (31 December 2014: RMB57,518,000) arising from dividends declared by these subsidiaries to their foreign investors during the year.

30. DEFERRED TAX (Continued)

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2015 **RMB'000**	2014 RMB'000
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December	**198,061**	128,896
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December	**(863,912)**	(35,924)
	(665,851)	92,972

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 therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable rate for the Group is 5%.

As at 31 December 2015, the Group has not recognised deferred tax liabilities of RMB34,404,000 (2014: RMB55,715,000) in respect of temporary differences relating to the unremitted profits of subsidiaries, amounting to RMB688,080,000 (2014: RMB1,114,300,000), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. DEFERRED INCOME

	2015 RMB'000	2014 RMB'000
Customer loyalty program		
At 1 January	**31,397**	51,768
Addition	**380,858**	416,114
Recognised as revenue during the year	**(388,548)**	(436,485)
At 31 December	**23,707**	31,397

32. SHARE CAPITAL

Shares

	2015	2014
Authorised:		
10,000,000,000 (2014: 10,000,000,000) ordinary shares of HK$0.01 each	**HK$100,000,000**	HK$100,000,000
Issued and fully paid:		
630,080,426 (2014: 606,825,765) ordinary shares of HK$0.01 each	**HK$6,300,804**	HK$6,068,258
Equivalent to	**RMB5,387,000**	RMB5,197,000

32. SHARE CAPITAL (Continued)

Shares (Continued)

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK$'000	Equivalent to RMB'000
At 1 January 2014	602,294,000	6,023	5,161
Share options exercised (note (a))	2,428,449	24	19
Issues for 2013 Share Award Scheme (note (b))	2,103,316	21	17
	4,531,765	45	36
At 31 December 2014 and 1 January 2015	**606,825,765**	**6,068**	**5,197**
Share options exercised (note (c))	**2,741,576**	**28**	**22**
Share consideration for the acquisition of a subsidiary (note (d)) (note 37)	**20,513,085**	**205**	**168**
	23,254,661	**233**	**190**
At 31 December 2015	**630,080,426**	**6,301**	**5,387**

Notes:

(a) During the year 2014, the subscription rights attaching to 2,428,449 share options were exercised at the subscription price ranging from HK$2.53 to HK$24.70, resulting in the issue of 2,428,449 shares for a total cash consideration, before expenses, of HK$11,971,000 (equivalent to RMB9,483,000).

(b) During the year 2014, the Company issued 2,103,316 shares pursuant to 2013 Share Award Scheme at an issue price of HK$0.01, resulting in an increase in share capital of HK$21,000 (equivalent to RMB17,000).

(c) During the year 2015, the subscription rights attaching to 2,741,576 share options were exercised at the subscription price ranging from HK$2.53 to HK$24.70, resulting in the issue of 2,741,576 shares for a total cash consideration, before expenses, of HK$14,567,000 (equivalent to RMB11,838,000).

(d) During the year 2015, the Company issued 20,513,085 shares of HK$13.48 each as consideration of HK$276,516,000 (equivalent to RMB226,967,000) for the acquisition of Swisse.

32. SHARE CAPITAL (Continued)

Share options

Details of the Company's share option schemes and the share options exercised under the schemes are included in note 33 to the financial statements.

Share award schemes

Details of the Company's share award schemes and the shares awarded under the schemes are included in note 34 to the financial statements.

33. SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

On 12 July 2010, the Company adopted a pre-initial public offering share option scheme (the "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 those 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 as follows:

(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 share options granted under the Pre-IPO Share Option Scheme is 11,150,249 shares, and no further share options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date;

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

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

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

33. SHARE OPTION SCHEMES (Continued)

Pre-IPO Share Option Scheme (Continued)

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 at a consideration of HK$1.00 paid by each grantee.

The share 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 share options under the Pre-IPO Share Option Scheme granted was estimated at approximately RMB25,068,000 as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the share 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

The following share options granted under the Pre-IPO Share Option Scheme were outstanding during the year:

	2015		2014	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**2.53**	**6,929**	2.53	9,179
Forfeited during the year	**2.53**	**(3,556)**	2.53	(216)
Exercised during the year	**2.53**	**(2,242)**	2.53	(2,034)
At 31 December	**2.53**	**1,131**	2.53	6,929

The weighted average share price at the date of exercise for share options exercised under the Pre-IPO Share Option Scheme during the year was HK$33.34 per share (2014: HK$49.00 per share).

33. SHARE OPTION SCHEMES (Continued)

Pre-IPO Share Option Scheme (Continued)

The exercise prices and exercise periods of the share options outstanding under the Pre-IPO Share Option Scheme at 31 December 2015 are as follows:

Number of options '000	Exercise price HK$ per share	Exercise period
1,131	2.53	17-12-14 to 17-12-16

The Group reversed a share option expense related to share options under the Pre-IPO Share Option Scheme of RMB6,191,000 during the year ended 31 December 2015, because of the failure to satisfy the vesting condition (2014: recognised an expense of RMB2,236,000). Share option reserve of RMB7,000 related to the forfeited shares that have been vested was transferred to retained profits during the year (2014: Nil).

2,242,000 share options under the Pre-IPO Share Option Scheme were exercised during the year, resulting in the issue of 2,242,000 ordinary shares of the Company and new share capital of HK$22,420 (equivalent to RMB18,000) and share premium of HK$5,649,000 (before issue expenses, and equivalent to RMB4,597,000). An amount of RMB4,703,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

The exercise in full of the outstanding share options under the Pre-IPO Share Option Scheme would, under the present capital structure of the Company, result in the issue of 1,131,000 additional ordinary shares of the Company and additional share capital of HK$11,000 (equivalent to RMB9,000) and share premium of HK$2,850,000 (equivalent to RMB2,388,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 813,000 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 0.1% of the Company's shares in issue as at that date.

Share Option Scheme

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries. The Share Option Scheme became effective on 25 November 2010 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other schemes of the Group shall not exceed 30% of the total number of shares in issue of the Company from time to time.

33. SHARE OPTION SCHEMES (Continued)

Share Option Scheme (Continued)

The maximum number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other schemes of the Group shall not, in aggregate, exceed 10% of the total number of shares in issue of the Company as at the Listing Date. The maximum number of shares issued and to be issued upon exercise of the share options granted to any eligible participant in the Share Option Scheme in any 12-month period shall not exceed 1% of the shares of the Company in issue from time to time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding the independent non-executive directors who or whose associates are the grantees of a share option). In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, would result in the securities issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of securities in issue; and (b) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5.0 million, such further grant of share options must be approved by shareholders of the Company (voting by way of a poll).

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a consideration of HK$1 by the grantee. The exercise period of the share options granted will be determined by the board of directors of the Company in its absolute discretion, save no share option may be exercised more than ten years after it has been granted on the date of acceptance of such share option. Subject to the terms and conditions as the board of directors may determine, there is no minimum period for which a share option must be held before it can be exercised.

The exercise price of share options is determined by the board of directors, but may not be less than the highest of (i) The Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

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

The fair values of the share options under the Share Option Scheme granted were estimated as at the respective dates of grant, using a binomial model or the Hull White model, taking into account the terms and conditions upon which the share options were granted.

No other feature of the options granted was incorporated into the measurement of fair value.

33. SHARE OPTION SCHEMES (Continued)

Share Option Scheme (Continued)

On 29 December 2015, a total of 18,868,509 shares were granted under the Share Option Scheme with principal terms as follows:

(a) the subscription price per share for all options granted under the Pre-IPO Share Option Scheme is HK$15.58;

(b) Among the 18,868,509 share options, 2,732,019 share options (the "Group 1 Share Options") granted shall vest in accordance with the timetable below:

Vesting Date	Percentage of share options to vest
1 April 2017	30% of the total number of share options granted
1 April 2018	30% of the total number of share options granted
1 April 2019	40% of the total number of share options granted

Among the 18,868,509 share options, 16,136,490 share options (the "Group 2 Share Options") granted shall vest in accordance with the timetable below:

Vesting Date	Percentage of share options to vest
30 December 2016	50% of the total number of share options granted
1 November 2017	30% of the total number of share options granted
1 November 2018	20% of the total number of share options granted

33. SHARE OPTION SCHEMES (Continued)

Share Option Scheme (Continued)

(c) there is a six-year exercise period for each share option granted under the Share Option Scheme.

The fair value of the share options granted during the year under the Share Option Scheme was estimated as below at the date of grant, using the Hull White model, taking into account the terms and conditions upon which the share options were granted:

Group 1 Share Options:

	First batch	Second batch	Third batch
Dividend yield (%)	8.48%	8.48%	8.48%
Expected volatility (%)	42.70%	42.70%	42.70%
Risk-free interest rate (%)	1.21%	1.21%	1.21%
Fair value (RMB'000)	2,518	2,428	3,064

Group 2 Share Options:

	First batch	Second batch	Third batch
Dividend yield (%)	8.48%	8.48%	8.48%
Expected volatility (%)	42.70%	42.70%	42.70%
Risk-free interest rate (%)	1.21%	1.21%	1.21%
Fair value (RMB'000)	24,898	14,599	9,282

33. SHARE OPTION SCHEMES (Continued)

Share Option Scheme (Continued)

The following share options were outstanding under the Share Option Scheme during the year:

	2015		2014	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**18.11**	**2,739**	18.11	3,518
Granted during the year	**15.58**	**18,869***	–	–
Forfeited during the year	**18.19**	**(1,293)**	19.26	(385)
Exercised during the year	**17.58**	**(500)**	17.31	(394)
At 31 December	**15.71**	**19,815**	18.11	2,739

* Among these share options granted, 723,075 share options were granted to the executive directors.

The weighted average share price at the date of exercise for share options exercised under the Share Option Scheme during the year was HK$35.19 per share (2014: HK$46.24 per share).

33. SHARE OPTION SCHEMES (Continued)

Share Option Scheme (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

31 December 2015 Number of options '000	31 December 2014 Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
–	84	15.312	17-12-13 to 17-12-16
–	79	11.52	17-12-13 to 17-12-16
90	90	12.12	17-12-13 to 17-12-16
6	92	19.64	17-12-13 to 17-12-16
–	202	24.70	17-12-13 to 17-12-16
135	192	15.312	17-12-14 to 17-12-16
130	199	11.52	17-12-14 to 17-12-16
90	90	12.12	17-12-14 to 17-12-16
152	152	19.64	17-12-14 to 17-12-16
343	307	24.70	17-12-14 to 17-12-16
–	256	15.312	17-12-15 to 17-12-16
–	266	11.52	17-12-15 to 17-12-16
–	120	12.12	17-12-15 to 17-12-16
–	201	19.64	17-12-15 to 17-12-16
–	409	24.70	17-12-15 to 17-12-16
820	–	15.58	1-4-17 to 29-12-21
820	–	15.58	1-4-18 to 29-12-21
1,093	–	15.58	1-4-19 to 29-12-21
8,068	–	15.58	30-12-16 to 29-12-21
4,841	–	15.58	1-11-17 to 29-12-21
3,227	–	15.58	1-11-18 to 29-12-21
19,815	2,739		

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

33. SHARE OPTION SCHEMES (Continued)

Share Option Scheme (Continued)

The Group reversed a share option expense related to share options under the Share Option Scheme of RMB4,428,000 during the year ended 31 December 2015, because of the failure to satisfy the vesting condition (2014: recognised an expense of RMB2,252,000). Share option reserve of RMB689,000 related to the forfeited shares that have been vested was transferred to retained profits during the year (2014: Nil).

500,000 share options under the Share Option Scheme were exercised during the year, resulting in the issue of 500,000 ordinary shares of the Company and new share capital of HK$5,000 (equivalent to RMB4,000) and share premium of HK$8,890,000 (equivalent to RMB7,219,000) (before issue expenses). An amount of RMB2,486,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

The exercise in full of the outstanding share options under the Share Option Scheme would, under the present capital structure of the Company, result in the issue of 19,815,000 additional ordinary shares of the Company and additional share capital of HK$198,000) (equivalent to RMB166,000) and share premium of HK$291,451,000 (equivalent to RMB244,172,000) (before issue expenses).

At the date of approval of these financial statements, the Company had 19,052,000 share options outstanding under the Share Option Scheme, which represented approximately 3.0% of the Company's shares in issue as at that date.

34. SHARE AWARD SCHEMES

Share Award Scheme

The share award scheme (the "Share Award Scheme") of the Company was adopted by the board of directors on 28 November 2011 (the "Adoption Date") and amended by the board of directors on 30 March 2012. The purpose of the Share Award Scheme is to recognise the contributions of certain directors, senior management and employees of the Company and its subsidiaries and to retain and motivate them to strive for the future development and expansion of the Group by providing them with the opportunity to acquire equity interests in the Company.

Subject to the terms of the Share Award Scheme and the Listing Rules, the board of directors may at any time make an offer to any eligible person it may in its absolute discretion select to accept the grant of an award over such number of shares as it may determine. Shares will be acquired by the independent trustee (the "Trustee") of the Share Award Scheme on the market out of the funds contributed by the Company and be held in trust for the relevant participants in accordance with the provisions of the Share Award Scheme. The vesting period shall, in any event, be no longer than ten years.

The board of directors shall not make any further award which will result in the number of shares awarded by the board under the Share Award Scheme would represent in excess of 10% of the issued share capital of the Company as at the Adoption Date. In any event, the unvested shares held by the Trustee at any time shall be less than 5% of the issued share capital of the Company. The maximum number of shares which may be awarded to a participant under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company as at the Adoption Date.

Subject to any early termination as may be determined by the board of directors, the Share Award Scheme shall be valid and effective for a period of ten years commencing on the Adoption Date.

During the year ended 31 December 2015, no ordinary shares of the Company on the Stock Exchange were purchased for the Share Award Scheme (2014: Nil).

34. SHARE AWARD SCHEMES (Continued)

Share Award Scheme (Continued)

Summary of particulars of the shares granted under the Share Award Scheme (the "Awarded Shares") during the year is as follows:

Date of grant	Number of outstanding awarded shares as at 31 December 2014 and newly granted during the year	Fair value	Vesting date	Number of Awarded Shares: Vested during the year	Forfeited during the year	Outstanding awarded shares as at 31 December 2015
		RMB				
10 October 2014	645,600	12,783,000	30 October 2015	–	(645,600)	–
31 December 2015	932,817	12,301,000	31 December 2016	–	–	932,817*
Total	1,578,417	25,084,000		–	(645,600)	932,817

* Among these Awarded Shares granted, 241,025 Awarded Shares were granted to the executive directors.

The Group reversed a share award expense of RMB2,652,000 during the year for the awarded shares granted on 10 October 2014, because of the failure to satisfy the vesting condition (2014: recognised an expense of RMB3,834,000).

At the date of approval of these financial statements, 932,817 outstanding Awarded Shares are held by the Trustee of the Share Award Scheme for relevant grantees; and 380,642 shares (including those Awarded Shares forfeited) are held by the Trustee and have yet to be awarded.

2013 Share Award Scheme

The board of directors of the Company has approved the adoption of the 2013 Share Award Scheme on 29 November 2013. The purposes of the 2013 Share Award Scheme remain the same as the Share Award Scheme. Subject to any early termination as may be determined by the board, the 2013 Share Award Scheme shall be valid and effective for a term of five years commencing on 29 November 2013.

The board of directors may from time to time at its absolute discretion select any employee who is eligible to participate in the 2013 Share Award Scheme or a group of selected employees for participation in the 2013 Share Award Scheme.

For the purpose of satisfying awards granted under the 2013 Share Award Scheme, awarded shares shall be allotted and issued at par value by the Company, by using the general mandate granted to the board of directors by the shareholders of the Company in general meetings of the Company from time to time, unless separate shareholders' approval is obtained in a general meeting of the Company.

34. SHARE AWARD SCHEMES (Continued)

2013 Share Award Scheme (Continued)

Subsequent to the grant of awards, the board of directors shall pay (or cause to be paid) sufficient funds (the "Referable Amount") to the Trustee (or as it shall direct) from the Group's resources as soon as practicable following such funds being set aside for the subscription of the relevant awarded shares. After receiving the Referable Amount, the Trustee shall apply the same towards the subscription of awarded shares at par at such time as agreed between the Trustee and the board of directors from time to time but in any event no later than 40 business days before the vesting of the relevant Awarded Shares.

Summary of particulars of the shares granted under the Share Award Scheme (the "Awarded Shares") during the period is as follows:

				Number of Awarded Shares		
Date of grant	Number of outstanding awarded shares as at 31 December 2014 and newly granted during the year	Fair value	Vesting date	Vested during the year	Forfeited during the year	Outstanding awarded shares as at 31 December 2015
		RMB				
10 October 2014	1,998,285	40,588,000	30 November 2015	–	(1,998,285)	–
1 July 2015	68,300	1,173,000	30 June 2016	–	–	68,300
1 July 2015	68,300	1,173,000	30 June 2017	–	–	68,300
29 December 2015	1,171,688	14,474,000	30 December 2016	–	–	1,171,688
29 December 2015	585,947	7,238,000	1 April 2017	–	–	585,947
Total	3,892,520	64,646,000		–	(1,998,285)	1,894,235

During the year ended 31 December 2015, no shares were issued for the 2013 Share Award Scheme (2014: 2,103,316 shares).

The Group reversed a share award expense of RMB8,210,000 during the year for the awarded shares granted on 10 October 2014, because of the failure to satisfy the vesting condition (2014: recognised an expense of RMB8,210,000). The Group recognised a share award expense of RMB899,000 during the year for the awarded shares granted on 1 July 2015.

At the date of approval of these financial statements, 1,809,501 shares of the Company are held by the trustee of the 2013 Share Award Scheme for relevant grantees; and 293,815 shares (including those Awarded Shares forfeited) are held by the trustee and have yet to be awarded.

35. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 83 and 84 of the financial statements.

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

The Group's capital reserve represents 1% of equity in Biostime Health contributed by Biostime Pharmaceuticals, the ultimate shareholder, in year 2009 when Biostime Health became a wholly-owned subsidiary of the Group.

The Group's exchange difference reserve movement in current year represents 1) the accumulated exchange difference reserve arising from the translation of financial statements of certain subsidiaries with functional currencies other than the Group's reporting currency with an amount of RMB30,221,000; and 2) the exchange difference arising from the monetary item that is designated as the Company's net investment in a foreign operation, with an amount of RMB70,560,000.

In accordance with the Company Law of the People's Republic of China, 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 the registered capital.

36. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests is set out below:

	2015	2014
Percentage of equity interest held by non-controlling interests:		
Swisse and its subsidiaries	**17%**	–

	2015 RMB'000	2014 RMB'000
Profit for the year allocated to non-controlling interests:		
Swisse and its subsidiaries	**39,924**	–
Accumulated balances of non-controlling interests at the reporting dates:		
Swisse and its subsidiaries	**301,707**	–

The following tables illustrate the summarised financial information of Swisse and its subsidiaries since the date of completion of the acquisition. The amounts disclosed are before any inter-company eliminations:

	2015 RMB'000	2014 RMB'000
Revenue	**855,135**	–
Total expenses	**(605,682)**	–
Profit for the year	**249,453**	–
Total comprehensive income for the year	**231,191**	–
Current assets	**482,170**	–
Non-current assets	**63,950**	–
Current liabilities	**(643,036)**	–
Non-current liabilities	**(33,387)**	–
Net cash flows from operating activities	**213,680**	–
Net cash flows used in investing activities	**(10,062)**	–
Net cash flows used in financing activities	**(1,118)**	–
Net increase in cash and cash equivalents	**202,500**	–

37. BUSINESS COMBINATIONS

(a) Acquisition of Swisse

On 30 September 2015, the Group acquired certain companies through the acquisition of 83% equity interests in Swisse from third parties of the Group. These subsidiaries are principally engaged in research, marketing and distribution of vitamins, health supplements, skin care and sports nutrition products in Australia and New Zealand under the "Swisse" brand. The acquisition was made as part of the Group's strategy to enrich the variety of the Group's products. The subsidiaries and business acquired are as follows:

Subsidiaries acquired	Acquisition date	Acquired interests (%)
Swisse Wellness Group Pty Ltd	30 September 2015	83%
Swisse Wellness Pty Ltd	30 September 2015	83%
S W International Pty Ltd	30 September 2015	83%
Swisse Wellness Pty Ltd (NZ)	30 September 2015	83%
Swisse Wellness (UK) Limited	30 September 2015	83%
Noisy Beast Pty Ltd	30 September 2015	39%
Noisy Beast UK Limited	30 September 2015	39%

The total purchase consideration for the acquisition was AUD1,449,901,000 (equivalent to RMB6,490,037,000) which was shown as below:

	Notes	**Amount** AUD'000	**Amount** RMB'000
Cash consideration		1,213,000	5,404,674
Share consideration	*(1)*	50,000	226,967
Post-completion adjustment		22,631	125,901
Settlement of a loan	*(2)*	164,270	732,495
		1,449,901	6,490,037

(1) 20,513,085 shares of the Company were issued at an issue price of HK$13.48 each on 30 September 2015, as disclosed in note 32 to the financial statements. The issue price for the consideration shares represented a discount of approximately 0.1% to the closing price of HK$13.50 per share as quoted on the Stock Exchange on 16 September 2015.

(2) A loan amounted to AUD164,270,000 (equivalent to RMB732,495,000) was lent to Swisse before the acquisition. As at the date of the acquisition, the outstanding loan was deemed to have been fully settled by Swisse and constituted part of the consideration.

By the end of 2015, cash consideration of AUD1,213,000,000 (equivalent to RMB5,404,674,000) has been paid by the Group.

37. BUSINESS COMBINATIONS (Continued)

(a) Acquisition of Swisse (Continued)

The fair values of the identifiable assets and liabilities of Swisse as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	12	21,603
Intangible assets	15	2,600,170
Deferred tax assets	30	142,515
Inventories		97,506
Trade receivables		442,151
Cash and cash equivalents		202,801
Other current assets		14,987
Tax payables		(81,312)
Trade payables		(458,839)
Deferred tax liabilities	30	(787,518)
Other liabilities		(5,869)
Total identifiable net assets at fair value		2,188,195
Non-controlling interests		(252,592)
Derivative financial instrument	27	(358)
Goodwill on acquisition	14	4,554,792
Total consideration for acquisition		6,490,037
Satisfied by:		
Cash		6,263,070
Share		226,967
		6,490,037

37. BUSINESS COMBINATIONS (Continued)

(a) Acquisition of Swisse (Continued)

The purchase price allocation of Swisse is still preliminary, pending the finalisation of valuation of certain intangible assets, and the determination of the tax basis of the assets and liabilities acquired.

The Group incurred transaction costs of RMB64,623,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in profit or loss. The Group has paid part of the transaction costs of RMB23,119,000 by the end of 2015.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000
Cash consideration	(6,263,070)
Cash consideration payable	125,901
Cash and bank balances acquired	202,801
Net outflow of cash and cash equivalents included in cash flows from investing activities	(5,934,368)
Transaction costs of the acquisition included in cash flows from operating activities	(23,119)
	(5,957,487)

Since the acquisition, Swisse and its subsidiaries contributed RMB838,121,000 to the Group's revenue and RMB242,222,000 to the consolidated profit for the year ended 31 December 2015.

37. BUSINESS COMBINATIONS (Continued)

(b) Acquisition of Healthy Times

On 1 July 2015, the Group acquired a 100% interest in Healthy Times from third parties of the Group. Healthy Times is a corporation founded in the USA and is principally engaged in the manufacture and sale of premium organic baby foods and baby care products. The acquisition was made as part of the Group's strategy to enrich the variety of the Group's products. The purchase consideration for the acquisition of US$10,372,000 (equivalent to approximately RMB64,558,000) was in the form of cash. The Group has paid the purchase consideration by the end of 2015.

The fair values of the identifiable assets and liabilities of Healthy Times as at the date of acquisition were as follows:

	Note	**Fair value recognised on acquisition** RMB'000
Inventories		4,092
Trade receivables		2,755
Cash and cash equivalents		57
Trade payables		(1,161)
Other payables and accruals		(104)
Total identifiable net assets at fair value		5,639
Goodwill on acquisition	*14*	58,919
Total consideration for acquisition		64,558
Satisfied by cash		64,558

The purchase price allocation of Healthy Times is still preliminary, pending the finalisation of valuation of certain intangible assets, and the determination of the tax basis of the assets and liabilities acquired.

The Group incurred transaction costs of RMB595,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in profit or loss. The Group has paid part of the transaction costs of RMB535,000 by the end of 2015.

37. BUSINESS COMBINATIONS (Continued)

(b) Acquisition of Healthy Times (Continued)

An analysis of the cash flows in respect of the acquisition of subsidiary is as follows:

	RMB'000
Cash consideration	(64,558)
Cash and bank balances acquired	57
Net outflow of cash and cash equivalents included in cash flows from investing activities	(64,501)
Transaction costs of the acquisition included in cash flows from operating activities	(535)
	(65,036)

Since the acquisition, Healthy Times contributed RMB6,514,000 to the Group's revenue and a loss of RMB1,114,000 to the consolidated profit for the year ended 31 December 2015.

38. CONTINGENT LIABILITIES

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

39. PLEDGE OF ASSETS

Details of the Group's bank loans, which are secured by the assets of the Group, are included in note 28 to the financial statements.

40. OPERATING LEASE ARRANGEMENTS

As lessee

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

As at 31 December 2015 and 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 RMB'000	2014 RMB'000
Within one year	**70,634**	29,448
In the second to fifth years, inclusive	**79,559**	21,864
After five years	**25,438**	4,043
	175,631	55,355

41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40 above, the Group had the following capital commitments at the end of the reporting periods:

	2015 **RMB'000**	2014 RMB'000
Contracted, but not provided for:		
Intangible assets	**–**	825
Fixed assets	**28,467**	24,206
	28,467	25,031

42. RELATED PARTY BALANCES AND TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

(a) Related party transactions

	Notes	**2015** **RMB'000**	2014 RMB'000
Purchases of raw materials from a company under common control of directors	*(i)*	**1,916**	6,377
Purchases of finish goods from an associate	*(ii)*	**84,876**	25,498
Loan to an associate	*(iii)*	**–**	40,000

Notes:

(i) The transactions were conducted in accordance with mutually agreed terms. The related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(ii) The transactions were conducted in accordance with mutually agreed terms.

(iii) The loan to an associate is unsecured and bears interest at the rate of 3% per annum, and will be repaid on 31 October 2016.

(b) Outstanding balances with related parties

(i) At the end of the reporting period, the balance owing to the supplier arising from a company under common control of directors was RMB1,000 (2014: RMB1,645,000).

(ii) Details of the Group's trade balance with the associate as at the end of the reporting period are disclosed in note 25.

(iii) Details of the Group's loan to the associate as at the end of the reporting period are included in note 19 to the financial statements.

42. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(c) Compensation of key management personnel of the Group

In addition to the amounts paid to the Company's directors as disclosed in note 8(a), compensation of other key management personnel of the Group is as follows:

	2015 **RMB'000**	2014 RMB'000
Short-term employee benefits	**38,469**	51,202
Pension scheme contributions	**1,126**	1,016
Equity-settled share option expense	**(1,890)**	731
Equity-settled share award expense	**(2,214)**	2,459
Total compensation paid to key management personnel	**35,491**	55,408

43. FINANCIAL INSTRUMENTS BY CATEGORY

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

2015

Financial assets

	Notes	**Held-to-maturity investment RMB'000**	**Financial assets at fair value through profit or loss RMB'000**	**Loans and receivables RMB'000**	**Total RMB'000**
Bonds receivable	*16*	–	–	**124,003**	**124,003**
Loans receivable	*17*	–	–	**76,880**	**76,880**
Loan to an associate	*19*	–	–	**40,000**	**40,000**
Held-to-maturity investment	*20*	**17,901**	–	–	**17,901**
Non-current time deposits	*24*	–	–	**70,159**	**70,159**
Trade and bills receivables	*22*	–	–	**622,842**	**622,842**
Financial assets included in prepayments, deposits and other receivables		–	–	**162,896**	**162,896**
Derivative financial instrument	*27*	–	**2,728**	–	**2,728**
Pledged deposits	*24*	–	–	**1,927,000**	**1,927,000**
Cash and cash equivalents	*24*	–	–	**1,198,235**	**1,198,235**
		17,901	**2,728**	**4,222,015**	**4,242,644**

43. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2015 (Continued)

Financial liabilities

	Notes	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	25	–	618,711	618,711
Financial liabilities included in other payables and accruals		–	1,001,822	1,001,822
Derivative financial instruments	27	19,005	–	19,005
Interest-bearing bank loans	28	–	4,740,450	4,740,450
Convertible bond	29	–	2,659,057	2,659,057
		19,005	9,020,040	9,039,045

2014

Financial assets

	Notes	Held-to-maturity investment RMB'000	Financial assets at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Total RMB'000
Bonds receivable	16	–	–	130,302	130,302
Loans receivable	17	–	–	92,988	92,988
Loan to an associate	19	–	–	40,000	40,000
Held-to-maturity investment	20	18,810	–	–	18,810
Non-current time deposits	24	–	–	1,146,183	1,146,183
Trade and bills receivables	22	–	–	12,043	12,043
Financial assets included in prepayments, deposits and other receivables		–	–	88,532	88,532
Derivative financial instrument	27	–	2,570	–	2,570
Cash and cash equivalents	24	–	–	3,347,157	3,347,157
		18,810	2,570	4,857,205	4,878,585

43. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2014 (Continued)

Financial liabilities

	Notes	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	25	–	294,542	294,542
Financial liabilities included in other payables and accruals		–	488,482	488,482
Interest-bearing bank loans	28	–	–	–
Convertible bond	29	–	2,410,526	2,410,526
		–	3,193,550	3,193,550

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		**Fair values**	
	2015 RMB'000	2014 RMB'000	**2015 RMB'000**	2014 RMB'000
Financial assets				
Derivative financial instrument				
— Convertible option embedded in a loan receivable	**2,728**	2,570	**2,728**	2,570
Financial liabilities				
Derivative financial instruments				
— Forward currency contracts	**(5,559)**	–	**(5,559)**	–
— Put option embedded in a Roll-up Call Option	**(13,446)**	–	**(13,446)**	–
	(19,005)	–	**(19,005)**	–

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals and interest-bearing bank loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

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 following methods and assumptions were used to estimate the fair values:

(a) The fair values of the non-current time deposits, loans receivable, bonds receivable, held-to maturity investment and convertible bonds have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for convertible bonds, and the suppliers' non-performance risk for loans and bonds receivables as at 31 December 2015 was assessed to be insignificant.

(b) The convertible option embedded in a loan receivable is measured using valuation techniques of present value calculations using significant unobservable market inputs.

(c) The derivative financial instrument arising from a put option embedded in the Roll-Up Call Option is measured using valuation techniques of Monte Carlo simulation using significant unobservable market inputs.

(d) The Group enters into forward currency contracts with various counterparties, principally financial institutions Derivative financial instruments arising from the forward currency contracts are measured using market quoted price. The carrying amounts of forward currency contracts are the same as their fair values.

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Derivative financial instrument — Convertible option embedded in a loan receivable	Binomial tree model	Weighted average cost of capital (WACC)	12.0% to 13.0%	1% increase in WACC would result in decrease in fair value by RMB915,000
				1% decrease in WACC would result in increase in fair value by RMB1,336,000
		Discount rate	9.19% to 9.38%	1% increase in discount would result in increase in fair value by RMB32,000
				1% decrease in discount would result in decrease in fair value by RMB33,000
Derivative financial instrument — Put option embedded in a Roll-up Call Option	Monte Carlo simulation	Weighted average cost of capital (WACC)	14.85% to 15.15%	1% increase in WACC would result in increase in fair value by RMB524,000
				1% decrease in WACC would result in decrease in fair value by RMB303,000
		Volatility (Vol)	46.57% to 47.51%	1% increase in Vol would result in decrease in fair value by RMB558,000
				1% decrease in WACC would result in increase in fair value by RMB588,000

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active market (Level 1) RMB'000	**Significant observable inputs (Level 2)** RMB'000	**Significant unobservable inputs (Level 3)** RMB'000	**Total** RMB'000
Derivative financial instrument — Convertible option embedded in a loan receivable:				
As at 31 December 2015	**–**	**–**	**2,728**	**2,728**
As at 31 December 2014	–	–	2,570	2,570

The movements in fair value measurements within Level 3 during the year are as follows:

	2015 **RMB'000**	2014 RMB'000
Convertible option embedded in loan receivable:		
At 1 January	**2,570**	5,936
Total losses recognised in profit or loss	**(2)**	–
Exchange realignment	**160**	(3,366)
At 31 December	**2,728**	2,570

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Liabilities measured at fair value:

	Fair value measurement using			
	Quoted prices in active market (Level 1) RMB'000	**Significant observable inputs (Level 2)** RMB'000	**Significant unobservable inputs (Level 3)** RMB'000	**Total** RMB'000
As at 31 December 2015				
Derivative financial instrument				
— Forward currency contracts	5,559	–	–	5,559
— Put option embedded in a Roll-Up Call Option	–	–	13,446	13,446
	5,559	–	13,446	19,005

The movements in fair value measurements within Level 3 during the year are as follows:

	2015 **RMB'000**	2014 RMB'000
Put option embedded in a Roll-Up Call Option:		
At 1 January	**–**	–
Addition (note 27)	**358**	–
Total losses recognised in profit or loss	**13,067**	–
Exchange alignment	**21**	–
At 31 December	**13,446**	–

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise cash and cash equivalents, time deposits, bank loans and convertible bonds. 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.

The Group also enters into derivative transactions, e.g. forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance.

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 directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

Interest rate risk

In respect of the floating interest rate instruments, the Group is subject to the cash flow interest rate risk, while for the fixed interest rate instruments, the Group is subject to fair value interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax by assuming the floating rate borrowings outstanding at the end of the reporting period were outstanding for the whole year.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** RMB'000
Year ended 31 December 2015	**50**	**(4,044)**
Year ended 31 December 2015	**(50)**	**4,044**
Year ended 31 December 2014	50	1,116
Year ended 31 December 2014	(50)	(1,116)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 0.17% (2014: Nil) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 66% (2014: 83.8%) of costs were denominated in the units' functional currencies. Certain operating units of the Group used forward currency contracts to eliminate the foreign currency exposures. The Group also has certain bank balances denominated in AUD, HK$, US$ and Euro. In addition, the Group has investments denominated in Euro, and provided loans to suppliers denominated in US$ and DKK and issued convertible loans in HK$.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the AUD, US$, Euro, HK$ and DKK 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 AUD/US$/ Euro/HK$/ DKK rates	Increase/(decrease) in profit before tax	
		2015	2014
	%	**RMB'000**	RMB'000
If the RMB weakens against the US$	5	**1,706**	22,591
If the RMB strengthens against the US$	(5)	**(1,706)**	(22,591)
If the RMB weakens against the Euro	5	**4,531**	3,584
If the RMB strengthens against the Euro	(5)	**(4,531)**	(3,584)
If the RMB weakens against the HK$	5	**(327)**	(90,529)
If the RMB strengthens against the HK$	(5)	**327**	90,529
If the RMB weakens against the DKK	5	**2,477**	2,988
If the RMB strengthens against the DKK	(5)	**(2,477)**	(2,988)
If the AUD weakens against the US$	5	**620**	–
If the AUD strengthens against the US$	(5)	**(620)**	–
If the AUD weakens against the Euro	5	**(1,954)**	–
If the AUD strengthens against the Euro	(5)	**1,954**	–
If the AUD weakens against the NZD	5	**3,031**	–
If the AUD strengthens against the NZD	(5)	**(3,031)**	–
If the AUD weakens against the GBP	5	**1,092**	–
If the AUD strengthens against the GBP	(5)	**(1,092)**	–

45. 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 loans receivable, other receivables and deposits, cash and cash equivalents, time deposits and pledged deposits, 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 recorded net current liabilities of RMB2,041 million as at 31 December 2015, which was mainly resulted from the Bridge Loan of approximately RMB2,901 million obtained for the acquisition of 83% equity interests in Swisse as disclosed in note 37 to the financial statements. The Bridge Loan will be due for repayment on 27 September 2016.

The Group is in the process of refinancing the Bridge Loan by a syndicated loan. Up to the date of approval of these financial statements, internal credit approvals have been obtained from certain banks relating to the syndicated loan. The directors of the Company believe that the Group will be able to secure the refinancing of the syndicated loan in due course. At the same time it will be able to continue to generate positive cash flows from its operations before the Bridge Loan falls due. On this basis, the directors of the Company consider that the Group is able to meet in full its financial obligations as they fall due in the coming 12 months.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

Except for the convertible bonds of RMB2,659,057,000 and RMB2,410,526,000 as at 31 December 2015 and 31 December 2014 respectively, which are due on 20 February 2019, and other payables and accruals of RMB28,696,000 as at 31 December 2015 which are due in 1 to 5 years, the Group's financial liabilities as at 31 December 2015 and 2014 would be due within 12 months.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 2015 and 31 December 2014.

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 are as follows:

	2015 **RMB'000**	2014 RMB'000
Total liabilities	**10,230,989**	3,714,074
Total assets	**13,831,582**	6,631,161
Liabilities to assets ratio	**74%**	56%

46. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform to the current year's presentation and disclosures.

47. EVENT AFTER THE END OF THE REPORTING PERIOD

No significant events occurred after the end of the reporting period and up to the approval date of the financial statements.

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 **RMB'000**	2014 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**23**	8
Loans receivable	**54,896**	53,531
Investments in subsidiaries	**4,000,822**	3,790,750
Due from subsidiaries	**3,646,583**	–
Deferred tax assets	**355**	335
Total non-current assets	**7,702,679**	3,844,624
CURRENT ASSETS		
Prepayments, deposits and other receivables	**4,833**	31,393
Due from subsidiaries	**1,260,073**	1,456,603
Loans to subsidiaries	**239,894**	1,117,106
Loans receivable	**21,984**	39,457
Derivative financial instrument	**2,728**	2,570
Cash and cash equivalents	**26,440**	477,303
Total current assets	**1,555,952**	3,124,432
CURRENT LIABILITIES		
Trade payables	**36,236**	30,567
Due to subsidiaries	**923,557**	52,294
Other payables and accruals	**52,701**	13,561
Tax payable	**–**	1,398
Interest-bearing bank borrowings	**974,045**	–
Total current liabilities	**1,986,539**	97,820
NET CURRENT LIABILITIES/ASSETS	**(430,587)**	3,026,612
TOTAL ASSETS LESS CURRENT LIABILITIES	**7,272,092**	6,871,236
NON-CURRENT LIABILITIES		
Convertible bonds	**2,659,057**	2,410,526
Net assets	**4,613,035**	4,460,710

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	2015 RMB'000	2014 RMB'000
Net assets	**4,613,035**	4,460,710
EQUITY		
Issued capital	**5,387**	5,197
Equity component of convertible bonds (note)	**66,978**	66,978
Reserves *(note)*	**4,540,670**	4,388,535
Total equity	**4,613,035**	4,460,710

Luo Fei
Director

Chen Fufang
Director

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Equity component of convertible bonds RMB'000	Shares held for the share award schemes RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2014	182,696	–	(67,167)	3,260,270	26,791	35,235	(359,615)	375,309	3,453,519
Total comprehensive income for the year	–	–	–	–	–	–	7,677	1,026,854	1,034,531
Equity-settled share option arrangements	15,325	–	–	–	(1,373)	–	–	–	13,952
Equity-settled share award schemes	–	–	25,026	–	–	(24,373)	–	11,374	12,027
Issue of convertible bonds	–	66,978	–	–	–	–	–	–	66,978
Final 2013 dividend declared	–	–	–	–	–	–	–	(674)#	(674)
Special 2013 dividend	–	–	–	–	–	–	–	(505)#	(505)
Interim 2014 dividend	–	–	–	–	–	–	–	(124,315)	(124,315)
At 31 December 2014 and 1 January 2015	198,021	66,978	(42,141)	3,260,270	25,418	10,862	(351,938)	1,288,043	4,455,513
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**–**	**261,082**	**(130,930)**	**130,152**
Issue of shares for the acquisition of Swisse	**226,799**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**226,799**
Equity-settled share option arrangements	**19,005**	**–**	**–**	**–**	**(18,504)**	**–**	**–**	**696**	**1,197**
Equity-settled share award schemes	**–**	**–**	**–**	**–**	**–**	**(9,963)**	**–**	**–**	**(9,963)**
Final 2014 dividend declared	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(196,050)#**	**(196,050)**
At 31 December 2015	**443,825**	**66,978**	**(42,141)**	**3,260,270**	**6,914**	**899**	**(90,856)**	**961,759**	**4,607,648**

Dividend income arising from the shares held for the share award schemes of RMB1,109,000 is deducted from the aggregate of dividends proposed and paid. Dividend for the new shares issued under the share option arrangements of RMB215,000 is paid from the retained profits.

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired, pursuant to the Reorganisation, over the nominal value of the Company's shares issued in exchange therefore. 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.

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 profits should the related options expire or be forfeited.

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2016.

FIVE YEAR FINANCIAL SUMMARY

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

	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000	**2015** **RMB'000**
RESULTS					
REVENUE	2,189,034	3,381,901	4,561,299	4,731,563	**4,818,561**
Gross profit	1,456,127	2,228,946	2,975,120	2,926,931	**1,833,996**
PROFIT BEFORE TAX	713,907	1,050,573	1,162,096	1,118,335	**503,940**
Income tax expense	(186,556)	(307,467)	(341,381)	(311,549)	**(210,619)**
PROFIT FOR THE YEAR	527,351	743,106	820,715	806,786	**293,321**
Attributable to:					
Owners of the parent	527,351	743,106	820,715	806,786	**251,461**
Non-controlling interests	–	–	–	–	**41,860**
	527,351	743,106	820,715	806,786	**293,321**
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RMB)					
For profit for the year					
— Basic	0.88	1.24	1.37	1.34	**0.41**
— Diluted	0.86	1.22	1.34	1.31	**0.40**

FIVE YEAR FINANCIAL SUMMARY

	2011 RMB'000	2012 RMB'000	2013 RMB'000 (Restated)	2014 RMB'000	**2015** **RMB'000**
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Non-current assets	287,701	1,242,401	1,775,147	2,295,440	**9,193,589**
Current assets	2,150,365	2,290,991	2,865,872	4,335,721	**4,637,993**
Current liabilities	(415,054)	(1,133,251)	(2,044,810)	(1,267,624)	**(6,679,324)**
Non-current liabilities	(45,452)	(77,489)	(80,616)	(2,446,450)	**(3,551,665)**
Net assets	1,977,560	2,322,652	2,515,593	2,917,087	**3,600,593**
Attributable to:					
Owners of the parent	1,977,560	2,322,652	2,515,593	2,917,087	**3,291,502**
Non-controlling interests	–	–	–	–	**309,091**
	1,977,560	2,322,652	2,515,593	2,917,087	**3,600,593**

Biostime International Holdings Limited

合生元國際控股有限公司