



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)



Interim Report
2016
 中期報告



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BIOSTIME

BIOSTIME 合生元



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——

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
Cayman Islands

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

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

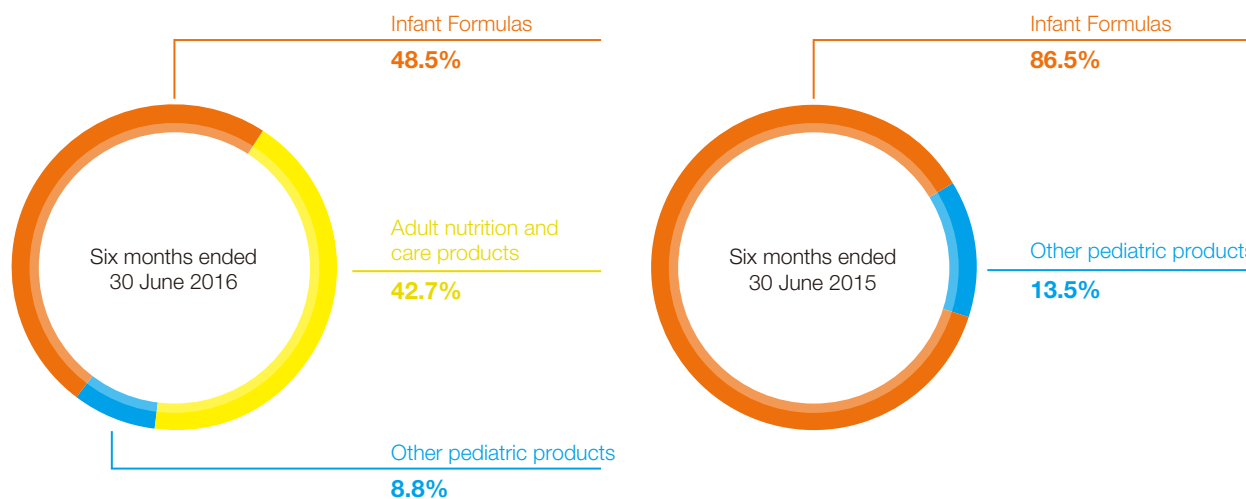
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		% of change
	2016 RMB'000	2015 RMB'000	
Revenue	3,008,304	1,962,902	53.3%
Gross profit	1,928,108	1,142,904	68.7%
Earnings before interest, tax, depreciation and amortization (“ EBITDA ”)	949,948	295,176	221.8%
Profit for the period	404,892	204,955	97.6%
Net cash flows from operating activities	551,440	147,428	274.0%
Basic earnings per share	RMB0.57	RMB0.34	67.6%

REVENUE BY PRODUCT SEGMENT



BUSINESS REVIEW

The first half of 2016 is the first complete half financial year after the acquisition of Swisse Wellness Group Pty Ltd (“**Swisse**”) in September 2015. As an all-around provider of premium family nutrition and care products, Biostime International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) has leveraged its resources to carry out a smooth integration of Swisse into the business of the Group and activate its direct sales in China. In the first half of 2016, the Group successfully completed a debt refinancing of its Swisse acquisition bridge loan and convertible bonds, further strengthening the Group’s capital efficiency and financial stability. With two strong brands in both the infant milk formula (“**IMF**”) and vitamin, herbal and mineral supplements (“**VHMS**”) segments, the Group is well-positioned to maintain strong market position within these two dynamic industries.

During the first half of the 2016 financial year, the revenue of the Group and its net profit for the six months ended 30 June 2016 reached RMB3,008.3 million and RMB404.9 million, respectively. Among the Group’s revenue, the baby nutrition and care products segment contributed approximately 57.3% of the revenue, with the remaining 42.7% derived from the adult nutrition and care products segment.

Due to the tightening effect casted by new IMF recipes registration rules, the market remained fiercely competitive. The significant de-stocking of IMF products and aggressive price competition led to a decrease in industry sales volume. Consequently, revenues from the baby nutrition and care products segment decreased by approximately 12.2% as compared to the corresponding period in 2015. The decrease was mainly attributable to the sales decline of the mid-tier IMF products under ADiMIL™ brand. Meanwhile, the revenue from Biostime™ branded products remained relatively stable. According to Nielsen, an independent market research firm, the Group’s share of the overall IMF market experienced a slight decrease to 5.8% for the twelve months ended 30 June 2016 compared with 5.9% for the year ended 31 December 2015.

Despite the intensifying competition, the Group has continued to invest in brand building and consumer education to consolidate market position of Biostime™ branded products. The Biostime™ brand remained strong within Chinese market during the period, demonstrated by strong revenue growth of the probiotics segment, which has increased by 12.8% compared with the same period last year.

In the adult nutrition and care products segment, Swisse has delivered strong momentum in both top line revenue and net profit, driven by robust sales growth in Australian and Chinese markets. The revenue derived from Swisse for the six months ended 30 June 2016 increased by 34.9% compared with the corresponding period last year, and was RMB1,284.0 million (AUD267.6 million) in the first half of 2016. Based on the research statistics from IRI Worldwide, Swisse remained No. 1 in the total Australian vitamin and herbal market with a share of 18.3% for the twelve months ended 30 June 2016. Since its flagship store opening on Tmall.hk, Swisse has strengthened its number one position in the healthcare category on both Tmall and Taobao platforms. In addition, Swisse also established strategic partnerships with other major cross-border e-commerce platforms, such as VIP shop, Netease Kaola and JD.com, and has demonstrated strong sales momentum in the Chinese market.

Although Swisse sales growth remained strong over the first half of this year, we have observed some downward pressure in the later part of the period. As a result of the uncertainties from the recently announced cross-border e-commerce regulations related to health food products, passive sales have weakened, primarily due to destocking from distributors in Australia. Although further clarification has been provided by regulators, some uncertainty remains around the future cross-border e-commerce regulation post May 2017. We expect this uncertainty may continue to affect performance in the second half of the year, but remain confident that given strong underlying consumer demand for VHMS products, prompted by heightened health awareness from Chinese consumers and Swisse’s leading position in the category, the Group is well-positioned to capture its significant business potential in the future. In the first half of 2016, the Group began to leverage its sophisticated marketing models and distribution capabilities to strengthen brand recognition and extend online strategic partnerships in China. Meanwhile, the Group has also commenced the filing and registration process for a compelling range of products to facilitate the offline sales and increase the nationwide exposure of Swisse’s branded products.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

In the short term, the Group believes that the IMF market will continue to be overshadowed by the regulatory environment due to the newly released IMF recipes registration rules, but the mid-long term positive impact of the new regulations will also represent an opportunity for the Group to strengthen its market position in light of expected industry consolidation. Furthermore, the full implementation of two-child policy is likely to provide a much needed boost to the demand of IMF products starting from 2017. To drive future business growth and product differentiation, the Group plans to launch an organic IMF range under the Healthy Times™ brand at the end of this year to increase exposure to the fast growing organic segment.

Following the Administrative Measure of Registration and Filing of Health Food (《保健食品註冊與備案管理辦法》) coming into effect on 1 July 2016, the Group has developed Swisse's offline strategies, including the preparation of both filing and registration procedures, as well as the development of a compelling range of products which can be imported and sold as conventional food products offline. This offline product portfolio will be complemented by other product categories, such as sports nutrition protein powders and selected Ultiboost products, which do not require registration. Going forward, the Group will initiate proactive marketing campaigns to improve active sales of Swisse products in the Chinese market, aiming to counter any potential decrease in passive sales.

The Group's focus remains on achieving its long-term vision of being a leading provider of nutrition and care products for the entire family, and it will continue to focus on product innovation across its diverse range of premium infant and adult nutrition and care products. The Group is also investing across the business, including in brand marketing, personnel and operational capability, to maintain competitive advantage and achieve sustainable growth in the long run.

RESULTS OF OPERATION

Upon the completion of the acquisition of approximately 83% equity in Swisse on 30 September 2015, the financial results of Swisse were consolidated into those of the Group from 1 October 2015 onwards.

Revenue

For the six months ended 30 June 2016, revenue increased by 53.3% to RMB3,008.3 million as compared with the prior corresponding period. The increase in revenue was mainly attributable to the enlarged product segment of adult nutrition and care under the "Swisse" brand.

	Six months ended 30 June			
	2016 RMB'000	% of Revenue	2015 RMB'000	% of Revenue
Baby nutrition and care products	1,724,294	57.3%	1,962,902	100.0%
– Infant formulas	1,460,490	48.5%	1,697,843	86.5%
– Other pediatric products	263,804	8.8%	265,059	13.5%
Adult nutrition and care products	1,284,010	42.7%	–	–
Total	3,008,304	100.0%	1,962,902	100.0%

Infant formulas

Revenue from the infant formulas segment decreased by 14.0% to RMB1,460.5 million in the six months ended 30 June 2016 compared with the prior corresponding period. This decrease was primarily attributable to the decline in revenue of the ADiMIL™ branded products by 65.7% as a result of increased competition in the mid-tier segment. Revenue of the Biostime™ branded products also experienced a slight decline by 5.4% as a result of distributors reducing their inventory holding levels in anticipation of uncertainty of regulatory changes which are expected to reduce the number of products on the market.

Adult nutrition and care products

Since the consolidation of Swisse's financial results within the Group which commenced from 1 October 2015, it should be noted that the Group's revenue for the six months ended 30 June 2015 did not include Swisse's revenue.

Revenue from the adult nutrition and care products segment increased by 34.9% to AUD267.6 million (approximately RMB1,284.0 million) for the six months ended 30 June 2016 compared with Swisse revenue of AUD198.3 million for the six months ended 30 June 2015. The growth was primarily driven by the increased sales linked to the continued growth in underlying demand for Swisse's products in China, through both passive sales in Australia and direct sales into the Chinese market through Mama100 APP, global flagship store at Tmall.hk, and other popular cross-border e-commerce platforms.

Other pediatric products

Other pediatric products mainly consist of probiotic supplements, dried baby food and nutrition supplements and baby care products. Revenue from other pediatric products decreased by 0.5% for the six months ended 30 June 2016 compared with the the corresponding period in 2015. The decrease was primarily attributable to the decrease in revenue of baby care products due to the intense competition from lower-cost imported diapers through e-commerce channels. The decrease was partially offset by the increase in revenue of probiotic supplements by 12.8% as a result of the efficient cross-selling activities.

Gross profit and gross profit margin

During the first half of 2016, the Group recorded gross profit at an amount of RMB1,928.1 million, which increased by 68.7% compared with the same period last year. Gross profit margin increased from 58.2% for the six months ended 30 June 2015 to 64.1% for the same period of 2016. Excluding the gross profit of adult nutrition and care segment of RMB801.2 million, for the six months ended 30 June 2016, the gross profit of baby nutrition and care segment decreased slightly by 1.4% to RMB1,126.9 million compared with the corresponding period of last year, while the gross profit margin increased to 65.4%. The increase in gross profit margin mainly resulted from: (i) the improved product mix towards higher proportion of sales from the higher-margin Biostime™ branded infant formulas and probiotic supplements; (ii) reduced price discounting activities, replaced by other value-added consumer rewarding programs, which had less impact on the gross profit; and (iii) lower purchase costs from the Group's suppliers who benefit from the lower prices of dairy ingredients.

Other income and gains

Other income and gains amounted to RMB137.5 million for the six months ended 30 June 2016, representing an increase of 99.7% compared with the prior corresponding year. Other income and gains primarily consisted of net exchange gain of RMB91.3 million, interest income of RMB29.3 million, fair value gains on derivative financial instruments of RMB9.6 million and others. The increase in other income and gain was mainly due to the net exchange gain recorded in the first half of 2016, compared with a net exchange loss recorded in the same period of last year. The increase was partially offset by the decrease in interest income by RMB33.3 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and distribution costs

Selling and distribution costs increased by 27.9% from RMB746.2 million for the six months ended 30 June 2015 to RMB954.7 million for the same period this year. Excluding the selling and distribution costs of Swisse of RMB292.1 million and the amortization expenses in relation to the intangible assets identified in the acquisition of Swisse of RMB35.9 million, the selling and distribution costs decreased by 16.0% for the six months ended 30 June 2016 compared with the prior corresponding period. This decrease was primarily attributable to a decrease in advertising and promotion costs in the baby nutrition and care segment due to a different timing allocation of marketing efforts and also a reduction in the headcounts as a result of the Group's reorganization in the last quarter of 2015 following the acquisition of Swisse. The selling and distribution costs as a percentage to revenue decreased from 38.0% for the six months ended 30 June 2015 to 31.7% in the corresponding period of 2016.

Administrative expenses

Administrative expenses increased by 106.2% from RMB80.2 million for the six months ended 30 June 2015 to RMB165.4 million for the same period this year, primarily as a result of the acquisition of Swisse. Excluding the administrative expenses of Swisse of RMB68.8 million and amortization expenses in relation to the intangible assets identified in the acquisition of Swisse of RMB1.8 million, the administrative expenses increased by 18.2% for the six months ended 30 June 2016 compared with the prior corresponding period. This increase was primarily due to the increased amortization expenses resulting from share options granted to employees on 29 December 2015. The percentage of administrative expenses to revenue was 5.5% in the first half of 2016, compared with 4.1% in the first half of last year.

Other expenses

Other expenses for the six months ended 30 June 2016 amounted to RMB52.5 million, primarily consisting of R&D expenses of RMB42.4 million and others. The other expenses for the six months ended 30 June 2016 decreased by 8.2% compared with the prior corresponding period, which was primarily due to the net exchange loss recorded in the first half of 2015, while a net exchange gain was recorded in the first half of 2016.

EBITDA and EBITDA margin

EBITDA for the six months ended 30 June 2016 increased to RMB949.9 million from RMB295.2 million for the six months ended 30 June 2015. This increase was mainly due to the contribution from Swisse's operations. The EBITDA margin for the six months ended 30 June 2016 was 31.6%, representing an increase from 15.0% in the corresponding period of last year.

Finance costs

During the six months ended 30 June 2016, the Group incurred finance costs of RMB228.4 million, including bank loan interests of RMB104.7 million, bank charges of RMB51.5 million, interest expenses of the convertible bonds and senior notes of RMB54.5 million, and loss from the repurchase of part of the convertible bonds of RMB17.7 million.

Income tax expenses

Income tax expenses increased from RMB75.2 million for the first half of 2015 to RMB256.9 million in the corresponding period of 2016. This increase was primarily attributable to the increase in the Group's profits before tax as a result of the acquisition of Swisse. The effective tax rate increased from 26.8% for the six months ended 30 June 2015 to 38.8% in the corresponding period of this year. The increase in the effective tax rate was mainly due to the higher corporation income tax rate for Australian companies at 30.0% and the non-deductible losses raised from the repurchase of part of the convertible bonds, interest and transaction costs for the bank loans occurred in certain of the Group's entities.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

For the six months ended 30 June 2016, the Group had net cash generated from operating activities of RMB551.4 million, consisting of cash generated from operations of RMB806.2 million, partially offset by income tax paid of RMB254.8 million. The Group's cash generated from operations consisted of cash flow from operating activities of RMB1,051.4 million before working capital adjustments and net negative changes in working capital of RMB245.2 million.

Investing activities

For the six months ended 30 June 2016, net cash flows used in investing activities amounted to RMB219.8 million. The Group's net cash outflows for investing activities mainly consisted of (i) payment of RMB132.0 million made to the sellers related to the working capital purchase price adjustment in relation to the acquisition of Swisse; and (ii) cash outflows for the construction in progress and purchases of intangible assets, property, plant and equipment of RMB61.2 million.

Financing activities

For the six months ended 30 June 2016, net cash flows used in financing activities amounted to RMB136.1 million. It primarily reflected the repurchase of convertible bonds of RMB1,649.5 million and repayment of bank loans of RMB4,570.5 million, partially offset by the net proceeds from bank loans of RMB2,860.2 million and issuance of senior notes of RMB2,591.8 million to refinance the bridge loan in relation to the acquisition of Swisse and convertible bonds, and the net decrease in pledge deposits for bank loans and senior notes of RMB794.5 million.

Cash and bank balances

As of 30 June 2016, cash and cash equivalents as stated in the consolidated statement of financial position amounted to RMB1,559.9 million. Taking into consideration of the non-pledged time deposits with original maturity of more than one year when acquired of RMB122.5 million and pledged deposits to secure the outstanding bank loans and outstanding proceeds from the issuance of senior notes of RMB1,132.5 million, the Group's cash and bank balances amounted to RMB2,814.9 million as of 30 June 2016.

Interest-bearing bank loans, senior notes and convertible bonds

In April 2016, the Group secured long term funding as part of a refinance of the bridge loan taken out to partly fund the acquisition of Swisse. The new term loan provides long-term funding, strengthening the group's capital structure.

As of 30 June 2016, the carrying amount of the convertible bonds amounted to RMB1,147.1 million. The Company repurchased HK\$1,814.0 million convertible bonds with a purchase price of HK\$1,941.0 million on 22 June 2016. The Group's outstanding interest-bearing bank loans amounted to RMB3,030.2 million as of 30 June 2016, including RMB654.0 million payable within one year and RMB2,376.2 million payable after one year. On 21 June 2016, the Company issued US\$400.0 million 7.25% senior notes due 2021. As of 30 June 2016, the carrying amount of the senior notes amounted to RMB2,619.2 million. Taking the convertible bonds, senior notes and interest-bearing bank loans into consideration, the gearing ratio was 50.1%. The gearing ratio is calculated by dividing the sum of the carrying amount of the convertible bonds, senior notes and interest bearing bank loans by total assets.

Working capital

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 2 day for the six months ended 30 June 2015 to 31 days for the six months ended 30 June 2016.

The inventory turnover days decreased slightly by 2 day to 154 days for the six months ended 30 June 2016 from 156 days in the corresponding period of last year. The Group endeavored to maintain its inventory at a healthy level to avoid excess inventory and deep discounting.

The average turnover days of the trade payables increased from 54 days in first half of 2015 to 100 days for the corresponding period this year, which was mainly due to longer credit periods for Swisse operations.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE CODE

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) as its own code of corporate governance. Except for the deviations from code provisions A.2.1 and C.1.2 as disclosed below, the Company has complied with the code provisions contained in the CG Code for the six months ended 30 June 2016.

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

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

Under code provision C.1.2 of the CG Code, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer’s performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. During the six months ended 30 June 2016, as the Board had held 3 meetings, in addition to regular Board meetings, to discuss and consider certain specific affairs of the Group, instead of monthly updates, the management of the Company had provided the Board with updates of the Group before and during each of such meetings to keep all Directors abreast of the performance, position and prospects of the Group.

The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that 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 during the six months ended 30 June 2016.

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

No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company during the six months ended 30 June 2016.

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

AUDIT COMMITTEE

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

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

The Audit Committee has held meetings to discuss the auditing, internal controls and financial reporting matters including the review of this interim report and the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 25 November 2010 with written terms of reference in compliance with the CG Code. The Remuneration Committee consists of three members, namely Mr. Tan Wee Seng, Mr. Luo Fei and Dr. Ngai Wai Fung, the majority of whom are independent non-executive Directors. Mr. Tan Wee Seng was appointed as the chairman of the Remuneration Committee.

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 procedures for developing such remuneration policy and structure to ensure that no Director or any of his close 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.

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.

NOMINATION COMMITTEE

The Nomination Committee was established on 25 November 2010 with written terms of reference in compliance with the CG Code. The chairman of the Nomination Committee is Mr. Luo Fei, an executive Director, and the two other members are Dr. Ngai Wai Fung and Mr. Tan Wee Seng, both of whom 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

NOMINATION COMMITTEE (CONTINUED)

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. An external recruitment agency may be engaged to carry out the recruitment and selection process where necessary.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

The last shareholders' meeting was the annual general meeting held on 13 May 2016 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 repurchase shares of the Company, the re-appointment of auditors, and the re-election of Directors. All proposed ordinary resolutions were passed by way of poll at the meeting.

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 are available for public access. Investors may write directly to the Company or via email to IR@biostime.com for any enquiries.

REVIEW OF INTERIM FINANCIAL STATEMENTS

Disclosure of financial information in this report complies with Appendix 16 of the Listing Rules. The Audit Committee of the Company has held meetings to discuss the internal controls and financial reporting matters of the Company, including the review of this interim report and the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016.

The interim condensed consolidated financial statements for the six months ended 30 June 2016 have not been audited but have been reviewed by the Company's independent auditors, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" by the Hong Kong Institute of Certified Public Accountants.

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

References are made to the announcements issued by the Company on 6 June 2016 and 15 June 2016, respectively, regarding the Company's offer (the "**Offer**") to repurchase the Company's HK\$3,100,000,000 zero coupon convertible bonds due 2019 issued in February 2014 (the "**Convertible Bonds**"). The Convertible Bonds are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (Stock Code: 6024) and the ISIN is XS1019149928. On 22 June 2016, the Company repurchased HK\$1,814.0 million Convertible Bonds with a purchase price of HK\$1,941.0 million.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

SHARE OPTION SCHEMES

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

Share Option Scheme

A share option scheme (the "**Share Option Scheme**") of the Company was conditionally approved by resolutions of the shareholders of the Company on 25 November 2010 and the terms of such Share Option Scheme are disclosed in the prospectus of the Company dated 3 December 2010.

During the six months ended 30 June 2016, 483,735 share options ("**Share Options**") under the Share Option Scheme to subscribe for 483,735 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 3 May 2016 (the "**Date of Grant**") at an exercise price of HK\$21.05 per share. The closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the day preceding the Date of Grant was HK\$20.95.

Particulars and movements of Share Options under the Share Option Scheme during the six months ended 30 June 2016 by category of Grantees were as follows:

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEMES (CONTINUED)

Share Option Scheme (Continued)

Category of Grantees	Date of grant (DD/MM/YYYY)	Exercise price per share	Outstanding as at 1 January 2016	Number of Share Options			Outstanding as at 30 June 2016
				Granted during the six months ended 30 June 2016	Exercised during the six months ended 30 June 2016	Lapsed during the six months ended 30 June 2016	
Directors							
Dr. Ngai Wai Fung	16/12/2011	HK\$12.12	100,000	-	-	(40,000)	60,000
Mr. Tan Wee Seng	16/12/2011	HK\$12.12	100,000	-	-	(40,000)	60,000
Prof. Xiao Baichun	16/12/2011	HK\$12.12	100,000	-	-	(40,000)	60,000
Mr. Luo Fei	29/12/2015	HK\$15.58	414,093	-	-	-	414,093
Ms. Kong Qingjuan ⁽¹⁾	29/12/2015	HK\$15.58	308,982	-	-	-	308,982
Mr. Radek Sali ⁽²⁾	29/12/2015	HK\$15.58	974,178	-	-	-	974,178
Sub-total			1,997,253	-	-	(120,000)	1,877,253
Other employees	09/06/2011	HK\$15.312	288,046	-	(53,334) ⁽³⁾	(153,312)	81,400
	29/11/2011	HK\$11.52	313,876	-	(26,685) ⁽⁴⁾	(187,958)	99,233
	01/06/2012	HK\$19.64	298,443	-	(20,910) ⁽⁵⁾	(152,205)	125,328
	07/12/2012	HK\$24.70	597,198	-	(10,000) ⁽⁶⁾	(336,565)	250,633
	29/12/2015	HK\$15.58	17,171,256	-	-	(1,856,730)	15,314,526
	03/05/2016	HK\$21.05	-	483,735	-	-	483,735
Total			20,666,072	483,735	(110,929)	(2,806,770)	18,232,108

Note 1: Ms. Kong Qingjuan resigned from the Board as an executive Director with effect from 21 January 2016.

Note 2: Mr. Radek Sali was appointed to the Board as an executive Director with effect from 21 January 2016.

Note 3: The weighted average closing price of these shares immediately before the dates on which the relevant Share Options were exercised is HK\$21.95.

Note 4: The weighted average closing price of these shares immediately before the dates on which the relevant Share Options were exercised is HK\$27.25.

Note 5: The weighted average closing price of these shares immediately before the dates on which the relevant Share Options were exercised is HK\$28.68.

Note 6: The weighted average closing price of these shares immediately before the dates on which the relevant Share Options were exercised is HK\$29.11.

SHARE OPTION SCHEMES (CONTINUED)

Share Option Scheme (Continued)

All Share Options granted since the adoption of the Share Option Scheme until 7 December 2012 have vested 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 18,868,509 Share Options granted by the Company on 29 December 2015, 2,732,019 Share Options shall vest 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 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 granted by the Company on 29 December 2015, 16,136,490 Share Options (including Share Options granted to Mr. Luo Fei and Ms. Kong Qingjuan) shall vest 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 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

Among the 483,735 Share Options granted by the Company on 3 May 2016, 302,578 Share Options shall vest 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 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

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEMES (CONTINUED)

Share Option Scheme (Continued)

Among the 483,735 Share Options granted by the Company on 3 May 2016, 181,157 Share Options shall vest 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 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

No Share Options granted under the Share Option Scheme were cancelled during the six months ended 30 June 2016.

The total number of shares available for issue under the Share Option Scheme is 54,247,983, representing approximately 8.61% of the Company's issued share capital as at the date of this interim 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:

- the subscription price per share for all options granted under the Pre-IPO Share Option Scheme ("**Pre-IPO Share Options**") is HK\$2.53;
- 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 17 December 2010, the date of the listing of the shares of the Company on the Main Board of the Stock Exchange (the "**Listing Date**");
- all options granted under the Pre-IPO Share Option Scheme can only be exercised in the following manner:

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEMES (CONTINUED)

Pre-IPO Share Option Scheme (Continued)

A total of 11,150,249 Pre-IPO Share 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 six months ended 30 June 2016, 187 employees were no longer eligible for Pre-IPO Share Options due to their failure to meet performance target or retirement, and as a result, a total of 3,012,957 Pre-IPO Share Options lapsed. Particulars and movements of Pre-IPO Share Options under the Pre-IPO Share Option Scheme during the six months ended 30 June 2016 by category of grantees are set out below:

Category of grantees	Number of Pre-IPO Share Options			Outstanding as at 30 June 2016
	Outstanding as at 1 January 2016	Exercised during the six months ended 30 June 2016	Lapsed during the six months ended 30 June 2016	
Directors				
Mr. Luo Fei	621,239	–	(248,495)	372,744
Ms. Kong Qingjuan ⁽¹⁾	381,558	–	(152,624)	228,934
Sub-total	1,002,797	–	(401,119)	601,678
Others				
Senior management members	863,544	–	(756,778)	106,766
Other employees	2,177,004	(157,435) ⁽²⁾	(1,815,060)	204,509
Business partners	100,000	–	(40,000)	60,000
Sub-total	3,140,548	(157,435)	(2,611,838)	371,275
Total	4,143,345	(157,435)	(3,012,957)	972,953

Note 1: Ms. Kong Qingjuan resigned from the Board as an executive Director with effect from 21 January 2016.

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\$20.13.

No Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme were cancelled during the six months ended 30 June 2016.

The total number of shares available for issue under the Pre-IPO Share Option Scheme is 972,953, representing approximately 0.15% of the Company's issued share capital as at the date of this Interim Report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE AWARD SCHEME

The 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 shares 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.

During the six months ended 30 June 2016, the Board neither granted any awarded shares to eligible persons under the Share Award Scheme nor 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. The trustee of the Share Award Scheme did not purchase any shares of the Company on the Stock Exchange during the six months ended 30 June 2016.

Below is a summary of the particulars of the share awarded under the Share Award Scheme (the “**Awarded Shares**”) which were outstanding during the six months ended 30 June 2016:

Date of grant	Number of Awarded Shares granted	Approximate percentage of the Company’s share capital as at the Adoption Date	Vesting date	Number of Awarded Shares		
				Vested as at 30 June 2016	Forfeited as at 30 June 2016	Outstanding (held by the trustee for the grantees) as at 30 June 2016
31 December 2015	932,817 ⁽¹⁾	0.155%	31 December 2016	–	(121,895)	810,922

Note 1: Among these Awarded Shares granted, 138,031 Awarded Shares were granted to Mr. Luo Fei, the Chief Executive Officer, executive Director and the Chairman of the Company, 102,994 Awarded Shares were granted to Ms. Kong Qingjuan, who was an executive Director of the Company until her resignation on 21 January 2016, 324,726 Awarded Shares were granted to Mr. Radek Sali, an executive Director of the Company since 21 January 2016 and previously held the position as a director of a subsidiary of the Company. 294,959 Awarded Shares were granted to 3 Participants who were directors of subsidiaries of the Company.

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 person 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 Participant 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 Participant 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.

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

2013 SHARE AWARD SCHEME (CONTINUED)

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 136,000 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.

On 3 May 2016, the Board resolved to grant awards comprising a total of 127,811 awarded shares (the “**2016 Batch 1 Awarded Shares**”) to 4 Selected Participants by way of allocation of 127,811 Returned Shares.

Summary of particulars of the awarded shares under the 2013 Share Award Scheme are set out below:

Date of grant	Number of awarded shares granted	Approximate percentage of the Company's share capital as at the adoption date of the 2013 Share Award Scheme	Vesting date	Number of awarded shares		
				Vested as at 30 June 2016	Forfeited as at 30 June 2016	Outstanding (held by the trustee for the Selected participants) as at 30 June 2016
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	0.194%	30 December 2016	-	(175,924)	995,764
29 December 2015	585,947	0.097%	1 April 2017	-	-	585,947
3 May 2016	45,289	0.008%	30 December 2016	-	-	45,289
3 May 2016	82,522	0.014%	1 April 2017	-	-	82,522

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 June 2016, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong, 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 <i>(Note 14)</i>
Luo Fei	Beneficial owner	Long position	372,744 <i>(Note 1)</i>	0.059%
	Beneficial owner	Long position	320,531 <i>(Note 2)</i>	0.051%
	Beneficial owner	Long position	414,093 <i>(Note 3)</i>	0.066%
	Beneficiary of a trust	Long position	450,000,000 <i>(Note 4)</i>	71.389%
Luo Yun	Beneficiary of a trust	Long position	450,000,000 <i>(Note 4)</i>	71.389%
Radek Sali <i>(Note 5)</i>	Beneficial owner	Long position	1,096,513 <i>(Note 6)</i>	0.174%
	Beneficial owner	Long position	974,178 <i>(Note 7)</i>	0.155%
	Beneficial owner	Long position	324,726 <i>(Note 8)</i>	0.052%
	Beneficiary of a trust	Long position	1,060,518 <i>(Note 9)</i>	0.168%
Kong Qingjuan <i>(Note 10)</i>	Beneficial owner	Long position	228,934 <i>(Note 1)</i>	0.036%
	Beneficial owner	Long position	195,994 <i>(Note 11)</i>	0.031%
	Beneficial owner	Long position	308,982 <i>(Note 12)</i>	0.049%
Ngai Wai Fung	Beneficial owner	Long position	60,000 <i>(Note 13)</i>	0.010%
Tan Wee Seng	Beneficial owner	Long position	60,000 <i>(Note 13)</i>	0.010%
Xiao Baichun	Beneficial owner	Long position	60,000 <i>(Note 13)</i>	0.010%

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" above.

Note 2: These are 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 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" above.

Note 3: 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" above.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Note 4: As at 30 June 2016, 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 65.00% by Flying Company Limited and 35.00% 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 (the "**Mr. Luo Fei's Family Trust**") and Mr. Luo Yun as the settlor (the "**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: Mr. Radek Sali was appointed to the Board as an executive Director with effect from 21 January 2016.

Note 6: These are the shares directly held by Mr. Radek Sali.

Note 7: 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" above.

Note 8: These are the Awarded Shares granted by the Company under the Share Award Scheme on 31 December 2015. Details of the Company's Share Award Scheme are set out in the section headed "Share Award Scheme" above.

Note 9: As at 30 June 2016, Kednel Pty Ltd and Super Radek Pty Ltd act as the trustee of Sali Investment Trust and Super Radek Superannuation Fund, respectively. The beneficiary of Sali Investment Trust and Super Radek Superannuation Fund is Mr. Radek Sali. Sali Investment Trust and Super Radek Superannuation Fund each held 1,060,516 and 2 shares, respectively, of our Company.

Note 10: Ms. Kong Qingjuan resigned from the Board as an executive Director with effect from 21 January 2016.

Note 11: 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 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" above.

Note 12: 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" above.

Note 13: 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" above.

Note 14: As at 30 June 2016, the total number of the issued shares of the Company was 630,348,790.

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 30 June 2016.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

In addition to the above, as at 30 June 2016, Mr. Radek Sali, an executive Director of the Company, was interested in 595,758 shares in Swisse Wellness Group Pty Ltd ("**Swisse Wellness**"), a non-wholly owned subsidiary of the Company, as a beneficiary of each of Sali Investment Trust and Super Radek Superannuation Fund. As at 30 June 2016, Sali Investment Trust and Super Radek Superannuation Fund owned 495,758 and 100,000 shares in Swisse Wellness, respectively, representing approximately 4.6% and 0.9% of its issued share capital, respectively.

Save as disclosed above, at no time was the Company, its holding company, or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive of the Company (including their spouse and children under eighteen years old) to hold any interest or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at 30 June 2016, the following persons, other than any Director or the chief executive of the Company, were the substantial shareholders (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	71.389%
Flying Company Limited (Note 1)	Interest in a controlled corporation	Long position	450,000,000	71.389%
Sailing Group Limited (Note 1)	Interest in a controlled corporation	Long position	450,000,000	71.389%
Coliving Limited (Note 1)	Interest in a controlled corporation	Long position	450,000,000	71.389%
UBS Trustees (BVI) Limited (Note 1)	Trustee	Long position	450,000,000	71.389%

Note 1: As at 30 June 2016, 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 65.00% by Flying Company Limited and 35.00% 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 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (CONTINUED)

Note 2: As at 30 June 2016, the total number of the issued shares of the Company was 630,348,790.

Save as mentioned above, as at 30 June 2016, 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.

CHANGES IN INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT

Change in Information of Director

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company during the six months ended 30 June 2016 is set out below:

Name of Director	Detail of Change
Dr. Ngai Wai Fung	Appointed as an independent director of SPI Energy Co., Ltd. on 9 May 2016, which is a company listed on the NASDAQ (Nasdaq: SPI)

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SPECIFIC PERFORMANCE OBLIGATIONS OF CONTROLLING SHAREHOLDERS UNDER FACILITY AGREEMENT

References are made to the announcement issued by the Company on 24 April 2016, regarding the entering into of a facility agreement (the “**Facility Agreement**”) among Biostime Healthy Australia Investment Pty Ltd, an indirect subsidiary of the Company, as borrower, the Company and certain subsidiaries as guarantors, and certain affiliates of The Goldman Sachs Group, Inc., to provide for a 3-year senior secured term loan facility in an aggregate amount of up to US\$450 million (the “**Loan Facility**”) to be syndicated to other financial institutions.

Pursuant to the Facility Agreement, if Mr. Luo Fei, Mr. Luo Yun and the family members of each of them (collectively) cease to (i) hold (directly or indirectly) beneficially 23% or more of the issued voting share capital of the Company, or (ii) be the persons who hold (directly or indirectly) beneficially the largest percentage of the issued voting share capital of the Company, the Loan Facility will be cancelled and all outstanding principal, along with accrued interest, and all other amounts accrued under the finance documents, should become immediately due and payable.

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.21 and 13.18 of the Listing Rules.

INTERIM DIVIDEND

No interim dividend was proposed by the Board for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



To the board of directors of Biostime International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Biostime International Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages 29 to 76, which comprise the interim condensed consolidated statement of financial position as at 30 June 2016, the interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended and explanatory notes.

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young

Certified Public Accountants

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

23 August 2016

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

Six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
REVENUE	5	3,008,304	1,962,902
Cost of sales		(1,080,196)	(819,998)
Gross profit		1,928,108	1,142,904
Other income and gains	5	137,473	68,840
Selling and distribution costs		(954,704)	(746,158)
Administrative expenses		(165,362)	(80,212)
Other expenses		(52,517)	(57,224)
Finance costs	6	(228,389)	(47,550)
Share of losses of an associate		(2,858)	(482)
PROFIT BEFORE TAX	7	661,751	280,118
Income tax expense	8	(256,859)	(75,163)
PROFIT FOR THE PERIOD		404,892	204,955
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		46,166	125
Exchange difference on net investment in a foreign operation		92,090	–
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		138,256	125
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		543,148	205,080
Profit attributable to:			
Owners of the parent		356,909	204,955
Non-controlling interests		47,983	–
		404,892	204,955
Total comprehensive income attributable to:			
Owners of the parent		480,549	205,080
Non-controlling interests		62,599	–
		543,148	205,080
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	10	RMB	RMB
Basic		0.57	0.34
Diluted		0.56	0.33

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	11	532,736	546,995
Prepaid land lease payments	12	61,027	61,765
Goodwill	13	5,164,178	4,937,296
Intangible assets	14	2,979,614	2,896,616
Bonds receivable		128,893	124,003
Loans receivable		52,803	54,896
Deposits		4,242	8,513
Investment in an associate		37,347	40,205
Held-to-maturity investment		18,607	17,901
Time deposits	18	122,467	70,159
Deferred tax assets	25	144,528	198,061
Pledged deposits	18	30,000	250,000
Total non-current assets		9,276,442	9,206,410
CURRENT ASSETS			
Inventories	15	990,902	856,224
Trade and bills receivables	16	415,314	622,842
Prepayments, deposits and other receivables	17	130,178	218,980
Loan to an associate	33(b)	40,000	40,000
Loans receivable		24,288	21,984
Derivative financial instruments	21	30,486	2,728
Pledged deposits	18	1,102,498	1,677,000
Cash and cash equivalents	18	1,559,963	1,198,235
Total current assets		4,293,629	4,637,993
CURRENT LIABILITIES			
Trade and bills payables	19	596,953	618,711
Other payables and accruals	20	949,971	1,125,549
Derivative financial instruments	21	9,939	19,005
Interest-bearing bank loans	22	654,022	4,740,450
Convertible bonds	23	1,147,097	–
Senior notes	24	192,312	–
Tax payable		140,903	175,609
Total current liabilities		3,691,197	6,679,324
NET CURRENT ASSETS/(LIABILITIES)		602,432	(2,041,331)
TOTAL ASSETS LESS CURRENT LIABILITIES		9,878,874	7,165,079

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		9,878,874	7,165,079
NON-CURRENT LIABILITIES			
Convertible bonds	23	–	2,659,057
Senior notes	24	2,426,927	–
Interest-bearing bank loans	22	2,376,217	–
Other payables and accruals	20	26,742	28,696
Deferred tax liabilities	25	894,790	875,083
Total non-current liabilities		5,724,676	3,562,836
Net assets		4,154,198	3,602,243
EQUITY			
Equity attributable to owners of the parent			
Issued capital	27	5,389	5,387
Equity component of convertible bonds	23	24,489	66,978
Other reserves		3,754,957	3,220,787
		3,784,835	3,293,152
Non-controlling interests		369,363	309,091
Total equity		4,154,198	3,602,243

Luo Fei

Director

Luo Yun

Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2016

Notes	Attributable to owners of the parent											Total equity RMB'000		
	Equity component		Shares held for the share award schemes		Attributable to owners of the parent		Share award reserve		Exchange fluctuation reserve		Non-controlling interests RMB'000			
	Issued capital RMB'000	Share premium account RMB'000	Bonds of convertible RMB'000	Shares 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 2016 (Restated)	5,387	443,825	66,978	(42,141)	26,992	95	358,226	6,914	899	37,881	2,388,086	3,293,152	309,091	3,602,243
Profit for the period	-	-	-	-	-	-	-	-	-	-	356,909	356,909	47,983	404,892
Other comprehensive income for the period:														
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	31,550	-	31,550	14,616	46,166
Exchange difference on net investment in a foreign operation	-	-	-	-	-	-	-	-	-	92,090	-	92,090	-	92,090
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	123,640	356,909	480,549	62,599	543,148
Equity-settled share option arrangements	2	4,321	-	-	-	-	-	17,283	-	-	-	21,606	-	21,606
Equity-settled share award schemes	-	-	-	-	-	-	-	-	14,375	-	-	14,375	-	14,375
Repurchase of convertible bonds	-	-	(24,847)	-	-	-	-	-	-	-	-	(24,847)	-	(24,847)
Transfer to retained profits upon repurchase of convertible bonds	-	-	(17,642)	-	-	-	-	-	-	-	17,642	-	-	-
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,327)	(2,327)
At 30 June 2016 (Unaudited)	5,389	448,146*	24,489	(42,141)*	26,992*	95*	358,226*	24,197*	15,274*	161,521*	2,762,647*	3,784,835	369,363	4,154,198

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2016

		Attributable to owners of the parent											
		Issued capital	Share premium account	Equity component of convertible bonds	Shares held for the Share Award Scheme	Contributed surplus	Capital reserve	Statutory reserve	Share option reserve	Share award reserve	Exchange fluctuation reserve	Retained profits	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	At 1 January 2015	5,197	198,021	66,978	(42,141)	25,992	95	346,624	25,418	10,862	(65,324)	2,344,365*	2,917,087
	Profit for the period	-	-	-	-	-	-	-	-	-	-	204,955	204,955
	Other comprehensive income for the period:												
	Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	-	(125)	-	(125)
	Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	(125)	204,955	204,830
	Equity-settled share option arrangements	20	17,378	-	-	-	-	-	(6,005)	-	-	-	11,393
	Shares awarded under the Share Award Scheme	-	-	-	-	-	-	-	-	20,851	-	-	20,851
	Final 2014 dividend declared	-	-	-	-	-	-	-	-	-	-	(196,050)	(196,050)
	At 30 June 2015	5,217	215,399	66,978	(42,141)	25,992	95	346,624	19,413	31,713	(65,449)	2,353,270	2,958,111

Dividend income arising from the shares held for the share award schemes of RMB425,000 is deducted from the aggregate of dividends proposed and paid.

* These reserve accounts comprise the consolidated other reserves of RMB3,754,957,000 (31 December 2015 (Restated): RMB3,220,787,000) in the interim condensed consolidated statement of financial position as at 30 June 2016.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		661,751	280,118
Adjustments for:			
Bank interest income	5	(24,183)	(57,076)
Interest income from loans and bonds receivables	5	(5,159)	(5,525)
Finance costs	6	228,389	47,550
Depreciation	7	41,062	25,339
Amortisation of intangible assets	7	47,350	4,031
Amortisation of prepaid land lease payments	7	738	739
Loss on disposal of items of property, plant and equipment	7	3,240	–
Equity-settled share option expense	7	18,783	483
Equity-settled share award expense	7	14,375	20,851
Fair value gains on derivative financial instruments	7	(9,647)	–
Impairment of trade receivables	7	346	–
Write-down of inventories to net realisable value	7	71,568	755
Share of losses of an associate		2,858	482
		1,051,471	317,747
(Increase)/decrease in inventories		(206,246)	169,811
Decrease/(increase) in trade and bills receivables		207,182	(10,352)
Increase in prepayments, deposits and other receivables		(17,170)	(9,557)
Decrease in trade and bills payables		(21,758)	(81,555)
Decrease in other payables and accruals		(211,241)	(27,530)
Decrease in rental deposits		4,027	2,310
Cash generated from operations		806,265	360,874
Corporate income tax paid		(254,825)	(213,446)
Net cash flows from operating activities		551,440	147,428

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Net cash flows from operating activities		551,440	147,428
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(53,084)	(62,600)
Purchases of items of intangible assets		(8,081)	(688)
Prepayment for acquisition of a subsidiary		–	(60,878)
Residual payment in relation to acquisition of a subsidiary		(131,956)	–
Proceeds from disposal of items of property, plant and equipment		7,702	1,724
Repayment of loans receivable		2,509	21,001
Interest received		135,314	21,913
Increase in time deposits with original maturity of three months or more when acquired		(119,880)	(622,640)
(Increase)/decrease in time deposits with maturity date after one year		(52,308)	644,000
Net cash flows used in investing activities		(219,784)	(58,168)
CASH FLOWS FROM FINANCING ACTIVITIES			
Exercise of share options	28	1,830	10,910
New bank loans		2,860,239	168,991
Repurchase of convertible bonds	23	(1,649,465)	–
Repayment of bank loans		(4,570,450)	(34,381)
Interest paid		(162,264)	–
Issuance of senior notes, net of transaction costs	24	2,591,813	–
Increase in pledged deposits for senior notes		(944,498)	–
Decrease in pledged deposits		1,739,000	–
Dividends paid to non-controlling shareholders		(2,327)	(196,050)
Net cash flows used in financing activities		(136,122)	(50,530)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		1,115,235	2,447,157
Effect of foreign exchange rate changes, net		46,314	(10,323)
CASH AND CASH EQUIVALENTS AT END OF PERIOD			
		1,357,083	2,475,564
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	1,357,083	2,475,564

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

1. CORPORATE AND GROUP INFORMATION

Biostime International Holdings Limited (the “**Company**”) 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.

Prior to the acquisition of an approximately 83% equity interest in Swisse Wellness Group Pty Ltd (“**Swisse**”) and its subsidiaries on 30 September 2015 (the “**Acquisition**”), the Company and its subsidiaries (the “**Group**”) was principally involved in the manufacture and sale of premium pediatric nutritional and baby care products. Upon the completion of the Acquisition, the Group has expanded its businesses into the production and sale of adult nutrition supplements and skincare products. The Acquisition has enabled the Group to reposition itself as an all-round premium family nutrition and care provider.

The Group began to consolidate the financial results of Swisse from 30 September 2015. Details of Swisse’s contribution to the Group’s revenue and operating results for the six months ended 30 June 2016 (the “**Period**”) are set out in note 4 to the interim condensed consolidated financial statements.

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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements of the Group for the Period have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board. These unaudited interim condensed consolidated financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these unaudited interim condensed consolidated financial statements are the same as those used in the Group’s annual consolidated financial statements for the year ended 31 December 2015, except for the adoption of the new and revised International Financial Reporting Standards (“**IFRSs**”) (which also include International Accounting Standards and Interpretations) as disclosed in note 3.1 below.

These unaudited interim condensed consolidated financial statements do not include all information and disclosures required in the Group’s annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2015.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 10, IFRS 12 and IAS 28	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to IFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
IFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to IAS 1	<i>Disclosure Initiative</i>
Amendments to IAS 16 and IAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to IAS 16 and IAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to IAS 27	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	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.

3.2 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 unaudited interim condensed consolidated financial statements:

IFRS 9	<i>Financial Instruments</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
IFRS 15	<i>Revenue from Contracts with Customers</i> ²
IFRS 16	<i>Leases</i> ³
Amendments to IAS 7	<i>Disclosure Initiative</i> ¹
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> ¹
Amendments to IFRS 2	<i>Share-based payment: Classification and Measurement</i> ²
Amendments to IFRS 15	<i>Revenue from Contracts with Customers</i> ²

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

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. In April 2016, the IASB published amendments to IFRS 15. 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 IFRS 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.

In January 2016, the IASB issued IFRS 16 which requires lessees to recognise assets and liabilities for most leases. Under the new standard, a lease is a contract, or part of a contract, that conveys the right to use an identified asset for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset if, throughout the period of use, the customer has the right to obtain substantially all of the economic benefits from the use of the identified asset and direct the use of the identified asset. Lessees are required to initially recognise a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the identified asset for the lease term. Subsequently, lessees accrete the lease liability to reflect interest and reduce the liability to reflect lease payments made. The related right-of-use asset is depreciated in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment. For lessors, there is little change to the existing accounting in IAS 17 Leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. Prior to the Period, the Group used to have five reportable operating segments, including the infant formulas segment, the adult nutrition and care products segment, the probiotic supplements segment, the dried baby food and nutrition supplements segment and the baby care products segment. During the Period, in order to better allocate the resources of the Group and assess the performance of different operating segments, the following reportable operating segments, which are subject to risks and returns that are different from those of the other business segments, are adopted by the Group:

- (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; and
- (c) Other pediatric products segment comprises the production of probiotic supplements, dried baby food and nutrition supplements and baby care products.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

4. OPERATING SEGMENT INFORMATION (CONTINUED)

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

Operating segment information for the six months ended 30 June 2016 (Unaudited):

	Infant formulas RMB'000	Adult nutrition and care products RMB'000	Other pediatric products RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	1,460,490	1,284,010	263,804	–	3,008,304
Segment results	957,182	801,196	169,730	–	1,928,108
<i>Reconciliations:</i>					
Interest income					29,342
Other income and unallocated gains					108,131
Share of loss of an associate					(2,858)
Corporate and other unallocated expenses					(1,172,583)
Finance costs					(228,389)
Profit before tax					661,751
Other segment information:					
Depreciation and amortisation	1,420	5,936	2,588	79,206	89,150
Impairment of trade receivables	–	346	–	–	346
Write-down of inventories to net realisable value	53,387	18,174	7	–	71,568
Capital expenditure*	5,244	26,647	8,382	1,188	41,461

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Operating segment information for the six months ended 30 June 2015 (Unaudited):

	Infant formulas RMB'000	Adult nutrition and care products RMB'000	Other pediatric products RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	1,697,843	–	265,059	–	1,962,902
Segment results					
995,316	–	147,588	–	1,142,904	
<i>Reconciliations:</i>					
Interest income					62,601
Other income and unallocated gains					6,239
Share of loss of an associate					(482)
Corporate and other unallocated expenses					(883,594)
Finance costs					(47,550)
Profit before tax					280,118
Other segment information:					
Depreciation and amortisation	4,871	–	1,677	23,561	30,109
Write-down/(back) of inventories to net realisable value	1,404	–	(649)	–	755
Capital expenditure*	2,731	–	–	66,182	68,913

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) *Revenue from external customers*

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	1,863,413	1,962,902
Australia	1,063,154	–
Other countries	81,737	–
	3,008,304	1,962,902

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

(b) *Non-current assets*

	30 June	31 December
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Restated)
Mainland China	715,466	758,464
Australia	2,868,160	2,763,024
Other countries	31,340	32,606
	3,614,966	3,554,094

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

Information about a major customer

During the six months ended 30 June 2016 and 2015, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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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 and goods and services tax) during the period.

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	3,008,304	1,962,902
Other income and gains		
Bank interest income	24,183	57,076
Interest income from loans and bonds receivables	5,159	5,525
Service income	307	–
Foreign exchange differences	91,285	–
Fair value gains on derivative financial instruments	9,647	–
Government subsidies	3,865	3,129
Others	3,027	3,110
	137,473	68,840

6. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans, convertible bonds and senior notes	159,179	47,550
Bank charges	51,522	–
Loss on repurchase of convertible bonds	17,688	–
	228,389	47,550

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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7. PROFIT BEFORE TAX

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

	Notes	Six months ended 30 June	
		2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Cost of inventories sold		1,008,628	819,243
Depreciation	11	41,062	25,339
Amortisation of intangible assets	14	47,350	4,031
Amortisation of prepaid land lease payments	12	738	739
Research and development costs*		42,362	41,974
Minimum lease payments under operating leases		25,605	23,350
Loss on disposal of items of property, plant and equipment		3,240	–
Loss on repurchase of convertible bonds	23	17,688	–
Employee benefit expenses:			
Wages and salaries		395,400	269,705
Pension scheme contributions (defined contribution schemes)		43,478	58,288
Staff welfare and other expenses		6,652	18,593
Equity-settled share option expense	28	18,783	483
Equity-settled share award expense	29	14,375	20,851
		478,688	367,920
Foreign exchange differences, net		(91,285)	11,556*
Fair value gains on derivative financial instruments	21	(9,647)	–
Impairment of trade receivables*		346	–
Write-down of inventories to net realisable value#		71,568	755

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

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

8. INCOME TAX

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Charge for the period		
Mainland China	58,685	93,205
Hong Kong	5,660	7,122
Australia	152,523	–
Others	3,250	66
Deferred (note 25)	36,741	(25,230)
Total tax charge for the period	256,859	75,163

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% (six months ended 30 June 2015: 25%) on the taxable profits for the Period, 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% (six months ended 30 June 2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the Period.

Australian corporate income tax

Australian corporate income tax has been provided at the rate of 30% on the estimated assessable profits arising in Australia for the Period. No Australian corporate income tax has been provided for the six months ended 30 June 2015 as the Group did not have any assessable profits arising in Australia for that period.

9. DIVIDENDS

No interim dividend was proposed during the Period (six months ended 30 June 2015: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

The calculation of the basic earnings per share amount is based on the profit for the Period attributable to ordinary equity holders of the parent, and the adjusted weighted average number of ordinary shares of 626,867,751 (six months ended 30 June 2015: 604,616,727) in issue during the Period.

The calculation of the diluted earnings per share amount for the Period is based on the profit for the Period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is the adjusted weighted average number of ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares under the share option schemes and the 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 the convertible bonds.

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	356,909	204,955

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

	Number of shares	
Shares		
Weighted average number of ordinary shares in issue	630,284,526	608,033,502
Weighted average number of shares held for the share award schemes	(3,416,775)	(3,416,775)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	626,867,751	604,616,727
Effect of dilution – weighted average number of ordinary shares: Share options and awarded shares	10,602,390	9,319,527
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	637,470,141	613,936,254

11. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired property, plant and equipment with an aggregate cost of RMB36,710,000 (six months ended 30 June 2015: RMB68,225,000). During the Period, depreciation of RMB41,062,000 (six months ended 30 June 2015: RMB25,339,000) was charged, property, plant and equipment with an aggregate carrying amount of RMB10,942,000 (six months ended 30 June 2015: RMB1,748,000) was disposed of by the Group, and an exchange realignment with an aggregate amount of RMB1,171,000 was recognised in the Period (six months ended 30 June 2015: Nil). Besides, construction in progress of RMB136,000 was completed and transferred to intangible assets in the Period (six months ended 30 June 2015: RMB397,000).

12. PREPAID LAND LEASE PAYMENTS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Carrying amount at 1 January	63,243	64,721
Recognised during the period/year	(738)	(1,478)
Carrying amount at end of period/year	62,505	63,243
Current portion included in prepayments, deposits and other receivables (note 17)	(1,478)	(1,478)
Non-current portion	61,027	61,765

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

13. GOODWILL

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Restated)
Cost:		
At 1 January	4,937,295	76,000
Acquisition of subsidiaries	4,193	4,593,425
Exchange alignment	222,690	267,871
At period/year end	5,164,178	4,937,296
Accumulated impairment:		
At 1 January and at period/year end	-	-
Net carrying amount :		
At period/year end	5,164,178	4,937,296

14. INTANGIBLE ASSETS

During the Period, the Group acquired trademark and computer software with an aggregate cost of RMB4,887,000 (six months ended 30 June 2015: RMB1,085,000). During the Period, amortisation of RMB47,350,000 (six months ended 30 June 2015: RMB4,031,000) was charged by the Group, and an exchange realignment with an aggregate amount of RMB125,461,000 was recognised in the Period (six months ended 30 June 2015: Nil).

15. INVENTORIES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Raw materials	262,188	357,315
Raw materials in transit	159,730	142,104
Work in progress	2,044	4,711
Finished goods	566,940	352,094
	990,902	856,224

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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16. TRADE AND BILLS RECEIVABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade receivables	414,659	625,013
Bills receivable	6,000	3,000
	420,659	628,013
Less: Impairment provision	(5,345)	(5,171)
	415,314	622,842

Advance payment is normally required for sales to customers in Mainland China except in very limited circumstances for credit sales. Sales to major customers in Australia and other countries allow 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 at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 1 month	247,842	289,922
1 to 3 months	142,374	313,809
Over 3 months	25,098	19,111
	415,314	622,842

The above aged analysis included bills receivable of RMB6,000,000 (31 December 2015: RMB3,000,000).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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16. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
At beginning of period/year	5,171	–
Acquisition of subsidiaries	–	3,819
Impairment losses recognised	346	4,170
Amount written off as uncollectible	(233)	(2,584)
Impairment losses reversed	–	(234)
Exchange realignment	61	–
	5,345	5,171

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB5,345,000 (31 December 2015: RMB5,171,000) with a carrying amount before provision of RMB5,345,000 (31 December 2015: RMB5,171,000).

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

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Prepayments	7,730	4,578
Deposits	3,072	3,164
Other receivables	64,376	159,732
Prepaid expenses	53,522	50,028
Current portion of prepaid land lease payments (note 12)	1,478	1,478
	130,178	218,980

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Cash and bank balances	1,032,003	937,426
Time deposits	650,427	330,968
Pledged deposits	1,132,498	1,927,000
	2,814,928	3,195,394
Less:		
Non-pledged time deposits with maturity date after one year	(122,467)	(70,159)
Pledged deposits for bank loans with maturity date within one year	(158,000)	(1,677,000)
Pledged deposits for senior notes	(944,498)	–
Pledged deposits for bank loans with maturity date after one year	(30,000)	(250,000)
Cash and cash equivalents as stated in the consolidated statement of financial position	1,559,963	1,198,235
Less:		
Non-pledged time deposits with original maturity of three months or more when acquired	(202,880)	(83,000)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows	1,357,083	1,115,235
Denominated in RMB (note)	1,279,486	2,774,053
Denominated in other currencies	1,535,442	421,341
	2,814,928	3,195,394

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.

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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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19. TRADE AND BILLS PAYABLES

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade payables	593,074	610,558
Bills payable	3,879	8,153
	596,953	618,711

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within 1 month	330,397	370,967
1 to 3 months	254,163	220,867
Over 3 months	12,393	26,877
	596,953	618,711

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

As at 30 June 2016, included in the trade payables are amounts due to an associate of RMB2,340,000 (31 December 2015: RMB5,169,000), which are repayable within 30 days. The credit terms are similar to those offered by the Group's associate to its major customers.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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20. OTHER PAYABLES AND ACCRUALS

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Advances from customers	57,853	50,061
Salaries and welfare payables	105,755	66,702
Accruals	599,152	708,457
Other tax payables	70,113	78,655
Deferred income (note 26)	66,128	23,707
Other payables	77,712	226,663
	976,713	1,154,245
Less: Non-current portion	(26,742)	(28,696)
Current portion	949,971	1,125,549

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

21. DERIVATIVE FINANCIAL INSTRUMENTS

	Notes	30 June 2016		31 December 2015	
		Assets RMB'000 (Unaudited)	Liabilities RMB'000 (Unaudited)	Assets RMB'000 (Audited)	Liabilities RMB'000 (Audited)
Convertible option embedded in a loan receivable	(a)	2,786	-	2,728	-
Forward currency contracts	(b)	-	4,457	-	5,559
Put option embedded in a roll-up call option (the "Roll-Up Call Option")	(c)	-	5,482	-	13,446
Early redemption option embedded in the senior notes	(d)	27,700	-	-	-
		30,486	9,939	2,728	19,005

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

21. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Notes:

- (a) The convertible option is embedded in a loan receivable, which 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. Thus the convertible loan is separated into two components: the debt element and the conversion option element. The fair value of the conversion option as at 30 June 2016 was RMB2,786,000 (31 December 2015: RMB2,728,000). A fair value gain of RMB3,000 on the conversion option was recognised in profit or loss during the Period (six months ended 30 June 2015: Nil).
- (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 30 June 2016 was RMB4,457,000 (31 December 2015: RMB5,559,000). A fair value gain of RMB1,318,000 on forward currency contracts was recognised in profit or loss during the Period (six months ended 30 June 2015: Nil).
- (c) Biostime Healthy Australia Investment Pty Ltd ("**Biostime Australia Investment**"), one of the Company's subsidiaries, entered into a roll-up call option deed (the "**Roll-Up Call Option Deed**") with the non-controlling shareholders of Swisse (the "**Non-controlling Shareholders**") simultaneously with the Acquisition. Under the Roll-Up Call Option Deed, Biostime Australia Investment has the right to require the Non-controlling Shareholders to sell all of the shares they continue to hold in Swisse after the completion of the Acquisition, in exchange for an issue of shares representing an equivalent stake in Biostime Healthy Australia Holdings Pty Ltd ("**Biostime Australia Holdings**"), an indirect wholly-owned subsidiary of the Company, within 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, will be granted to the Non-controlling Shareholders. The Group has recognised the financial indebtedness adjustment clause related to the put option as a derivative financial instrument as at 30 September 2015 with fair value of RMB358,000 at initial recognition.

The fair value of the put option embedded in the Roll-up Call Option at 30 June 2016 was RMB5,482,000 (31 December 2015: RMB13,446,000). Accordingly, a fair value gain of RMB8,326,000 was recognised in profit or loss for the Period (six months ended 30 June 2015: Nil).

- (d) An early redemption option is embedded in the senior notes, details of which are set out in note 24 to the interim condensed consolidated financial statements. The fair value of the early redemption option as at 30 June 2016 was RMB27,700,000 (31 December 2015: Nil). No fair value gain or loss on the early redemption option was recognised in profit or loss for the Period (six months ended 30 June 2015: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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22. INTEREST-BEARING BANK LOANS

	30 June 2016			31 December 2015		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Secured bank loan	BBSY+ margin	Apr-2017	230,709	-	-	-
Secured bank loan	Libor+ margin	Apr-2017	253,313	-	-	-
Secured bank loan	4.140%	Sep-2016	170,000	4.140%	Mar-2016	830,000
Secured bank loan	-	-	-	Libor+ margin	Sep-2016	2,900,929
Secured bank loan	-	-	-	Libor+ margin	Mar-2016	779,236
Secured bank loan	-	-	-	Libor+ margin	Mar-2016	194,809
Unsecured bank loan	-	-	-	Libor+ margin	Mar-2016	35,476
			<u>654,022</u>			<u>4,740,450</u>
Non-current						
Secured bank loan	BBSY+ margin	Apr-2019	1,090,016	-	-	-
Secured bank loan	Libor+ margin	Apr-2019	1,286,201	-	-	-
			<u>2,376,217</u>			<u>-</u>
			<u>3,030,239</u>			<u>4,740,450</u>

Notes:

- Certain of the Group's bank loans are secured and guaranteed by the pledge of certain of the Group's time deposits amounting to RMB188,000,000 (31 December 2015: RMB1,927,000,000).
- Certain of the Group's bank loans are guaranteed on a joint and several basis by the Company and certain of the Company's subsidiaries and are secured by fixed and floating charges (in respect of Biostime Hong Kong Limited, a floating charge only) over all present and future assets of the Company and certain of its subsidiaries and assignments over the Company's and certain of its subsidiaries' rights to their material contracts and insurance policies. In addition, share pledges over certain subsidiaries' shares.
- At 30 June 2016, the Group's bank loans were denominated in RMB, US\$, AUD and Euro in the amounts of RMB170,000,000 (31 December 2015: RMB830,000,000), RMB1,539,514,000 (31 December 2015: RMB3,874,974,000), RMB1,320,725,000 (31 December 2015: Nil), and Nil (31 December 2015: RMB35,476,000), respectively.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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23. 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 of Hong Kong Limited (the “**Stock Exchange**”) since 21 February 2014.

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

The bonds are redeemable at the option of the Company in whole, but not in part, at a redemption price equal to the early redemption amount as at such date, (i) at any time after 20 February 2017, provided that the closing price of the Company’s 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 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.

On 6 June 2016, the Company commenced an offer to repurchase for cash the convertible bonds (the “**Offer**”) and announced to accept for purchase valid tenders of the convertible bonds with aggregate principle amount of HK\$1,814,000,000 pursuant to the Offer on 15 June 2016. The purchase price is HK\$2,140,000 for each HK\$2,000,000 in principal amount of the convertible bonds and the Offer was settled on 22 June 2016.

According to IAS 32, when the Company extinguishes a convertible bond before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the Company is required to allocate the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the convertible bond at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received by the Company when the convertible bond was issued. The gain or loss relating to the equity component is recognised in equity. The gain or loss relating to the liability component is recognised in profit or loss. During the Period, the Company has recorded a loss on repurchase of convertible bonds of approximately RMB17,688,000 (six months ended 30 June 2015: Nil) which have been charged to profit or loss.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2016

23. CONVERTIBLE BONDS (CONTINUED)

The movements of the convertible bonds for the Period and for the year ended 31 December 2015 are set out below:

	Liability component RMB'000	Equity component RMB'000	Total RMB'000
At 1 January 2015 (Audited)	2,410,526	66,978	2,477,504
Interest charged	95,015	–	95,015
Exchange alignment	153,516	–	153,516
At 31 December 2015 and 1 January 2016 (Audited)	2,659,057	66,978	2,726,035
Interest charged	49,645	–	49,645
Repurchase of convertible bonds	(1,624,618)	(24,847)	(1,649,465)
Loss on repurchase of convertible bonds charged to profit or loss	17,688	–	17,688
Transfer to retained profits	–	(17,642)	(17,642)
Exchange alignment	45,325	–	45,325
At 30 June 2016 (Unaudited)	1,147,097	24,489	1,171,586

The Company will, at the option of the bondholders, redeem the remaining part of the bondholders' convertible bonds on 20 February 2017, at their early redemption amount as at such date. Accordingly, the convertible bonds had been reclassified from non-current liabilities as at 31 December 2015 to current liabilities as at 30 June 2016.

24. SENIOR NOTES

On 21 June 2016, the Company issued senior notes due 21 June 2021 with an aggregate principal amount of USD400,000,000. The interest rate is 7.25% per annum and is paid semi-annually. The senior notes are listed on the Singapore Exchange Securities Trading Limited.

The net proceeds after deduction of underwriting discount and certain expenses related to the senior notes issue has been deposited into an escrow account (the "**Escrow Account**"). Approximately USD250 million (equivalent to HK\$1,941 million or RMB1,616 million) of the net proceeds of the senior notes were released to repurchase the convertible bonds tendered in the Offer as detailed in note 23 above and pay certain fees related to the Offer. The remaining net proceeds in the Escrow Account will be released from time to time in whole or in part, as applicable, in connection with any mandatory or optional redemption, repayment or repurchase of the remaining convertible bonds.

The senior notes are secured by the escrow charge over the Escrow Account and a floating charge over the assets of the Company (other than any assets located in the PRC or shares of subsidiaries) on a second-ranking basis. Besides, the senior notes are jointly and severally guaranteed on a senior subordinated basis by certain subsidiaries.

Pursuant to the terms of the senior notes, the senior notes are subject to the fulfilment of covenants relating to limitations on indebtedness and certain transactions of the Company and certain of its subsidiaries. The Company regularly monitors its compliance with these covenants. The Group has complied with the imposed senior notes covenants for the Period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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24. SENIOR NOTES (CONTINUED)

The Company may redeem part or all of the senior notes at certain time and certain redemption prices as specified in the terms of the senior notes.

As at 30 June 2016, the fair value of the early redemption option embedded in the senior notes amounted to RMB27,700,000, details of which are set out in note 21 to the interim condensed consolidated financial statements.

The movement of the senior notes during the Period is set out below:

	RMB'000 (Unaudited)
Upon the completion of the issuance of the senior notes	
Proceeds received	2,640,712
Transaction costs incurred	(65,627)*
Redemption option embedded in the senior notes	27,577
Interest charged during the Period	4,812
Interest paid during the Period	–
Exchange alignment	11,765
As at 30 June 2016	2,619,239
Less: Current portion	(192,312)
Non-current portion	2,426,927

* Transaction costs of RMB16,728,000 remained unpaid as at 30 June 2016.

25. DEFERRED TAX

The movements in deferred tax assets and liabilities for the Period and for the year ended 31 December 2015 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 2016 (Audited)	2,171	152,740	37,223	5,927	198,061
Credited/(charged) to profit or loss for the Period (note 8)	15,227	(76,553)	(4,126)	10,605	(54,847)
Exchange alignment	–	1,314	–	–	1,314
At 30 June 2016 (Unaudited)	17,398	77,501	33,097	16,532	144,528

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25. DEFERRED TAX (CONTINUED)

Deferred tax assets (continued)

	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 (Audited)	1,527	93,058	26,461	7,850	128,896
Acquisition of subsidiaries	–	142,515	–	–	142,515
Credited/(charged) to profit or loss for the year	644	(88,474)	10,762	(1,923)	(78,991)
Exchange alignment	–	5,641	–	–	5,641
At 31 December 2015 (Audited)	2,171	152,740	37,223	5,927	198,061

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 2016 (Restated)	4,691	21,316	849,076	875,083
Credited to profit or loss for the Period (note 8)	(326)	(5,377) [#]	(12,403)	(18,106)
Exchange alignment	206	–	37,607	37,813
At 30 June 2016 (Unaudited)	4,571	15,939	874,280	894,790
At 1 January 2015 (Audited)	–	16,305	19,619	35,924
Acquisition of subsidiaries	9,201	–	789,241	798,442
(Credited)/charged to profit or loss for the year	(4,938)	5,011	(7,176)	(7,103)
Exchange alignment	428	–	47,392	47,820
At 31 December 2015 (Restated)	4,691	21,316	849,076	875,083

[#] The amount as at 30 June 2016 represented a deferred tax provision of RMB15,371,000 (31 December 2015: RMB5,011,000) on the distributable profits of the Company's subsidiaries in Mainland China after offsetting the realised deferred tax liabilities of RMB20,748,000 (31 December 2015: Nil) arising from dividends declared by these subsidiaries to their foreign investors during the Period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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26. DEFERRED INCOME

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Customer loyalty program		
At 1 January	23,707	31,397
Additions	67,168	380,858
Recognised as revenue during the period/year	(24,747)	(388,548)
Carrying amount at end of period/year	66,128	23,707

27. SHARE CAPITAL

Shares

	30 June 2016 (Unaudited)	31 December 2015 (Audited)
Authorised: 10,000,000,000 (31 December 2015: 10,000,000,000) ordinary shares of HK\$0.01 each	HK\$100,000,000	HK\$100,000,000
Issued and fully paid: 630,348,790 (31 December 2015: 630,080,426) ordinary shares of HK\$0.01 each	HK\$6,303,488	HK\$6,300,804
Equivalent to	RMB5,389,000	RMB5,387,000

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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27. SHARE CAPITAL (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 2015 (Audited)	606,825,765	6,068	5,197
Share options exercised (note (a))	2,741,576	28	22
Share consideration for the acquisition of a subsidiary (note (b))	20,513,085	205	168
	23,254,661	233	190
At 31 December 2015 and 1 January 2016 (Audited)	630,080,426	6,301	5,387
Share options exercised (note (c))	268,364	2	2
At 30 June 2016 (Unaudited)	630,348,790	6,303	5,389

Notes:

- (a) During the year ended 31 December 2015, the subscription rights attaching to 2,741,576 share options were exercised at the subscription prices ranging from HK\$2.53 to HK\$24.70, resulting in the issue of 2,741,576 ordinary shares for a total cash consideration, before expenses, of HK\$14,567,000 (equivalent to RMB11,838,000).
- (b) During the year ended 31 December 2015, the Company issued 20,513,085 ordinary shares of HK\$13.48 each as consideration of HK\$276,516,000 (equivalent to RMB226,967,000) for the Acquisition.
- (c) During the Period, the subscription rights attaching to 268,364 share options were exercised at the subscription prices ranging from HK\$2.53 to HK\$24.70, resulting in the issue of 268,364 ordinary shares for a total cash consideration, before expenses, of HK\$2,180,000 (equivalent to RMB1,830,000).

Share options

Details of the Company's share option schemes and the share options exercised under the schemes are included in note 28 to these interim condensed consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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28. SHARE OPTION SCHEMES

The Company adopted a pre-initial public offering share option scheme (the “**Pre-IPO Share Option Scheme**”) on 12 July 2010 and a share option scheme (the “**Share Option Scheme**”) on 25 November 2010 for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations.

Pre-IPO Share Option Scheme

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

	Six months ended 30 June			
	2016		2015	
	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	1,131	2.53	6,929
Forfeited during the period	2.53	(1)	2.53	(156)
Exercised during the period	2.53	(157)	2.53	(2,028)
At 30 June	2.53	973	2.53	4,745

The weighted average share price at the date of exercise for share options exercised under the Pre-IPO Share Option Scheme during the Period was HK\$20.13 per share (six months ended 30 June 2015: HK\$35.23 per share).

No share option expenses related to share options under the Pre-IPO Share Option Scheme were recognised in the Period (six months ended 30 June 2015: RMB383,000) because all the share options have been or should have been vested before 31 December 2015.

157,000 share options under the Pre-IPO Share Option Scheme were exercised during the Period, resulting in the issue of 157,000 ordinary shares of the Company and new share capital of HK\$1,574 (equivalent to RMB1,324) and share premium of HK\$397,000 (before issue expenses, and equivalent to RMB736,000). An amount of RMB744,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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28. SHARE OPTION SCHEMES (CONTINUED)

Share Option Scheme

On 3 May 2016, a total of 483,735 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 Share Option Scheme is HK\$21.05;
- (b) Among the 483,735 share options, 302,578 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 483,735 share options, 181,157 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

- (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 Period 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:

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28. SHARE OPTION SCHEMES (CONTINUED)

Share Option Scheme (continued)

Group 1 Share Options:

	First batch	Second batch	Third batch
Dividend yield (%)	5.32	5.32	5.32
Expected volatility (%)	43.51	43.51	43.51
Risk-free interest rate (%)	1.15	1.15	1.15
Fair value (RMB'000)	463	463	607

Group 2 Share Options:

	First batch	Second batch	Third batch
Dividend yield (%)	5.32	5.32	5.32
Expected volatility (%)	43.51	43.51	43.51
Risk-free interest rate (%)	1.15	1.15	1.15
Fair value (RMB'000)	461	278	183

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

	Six months ended 30 June			
	2016		2015	
	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	15.71	19,815	18.06	2,739
Granted during the period	21.05	484	–	–
Forfeited during the period	20.82	(1,956)	17.19	(169)
Exercised during the period	16.06	(111)	17.99	(484)
At 30 June	15.30	18,232	18.14	2,086

The weighted average share price at the date of exercise for share options exercised under the Share Option Scheme during the Period was HK\$25.14 per share (six months ended 30 June 2015: HK\$35.79 per share).

The Group recognised a share option expense related to share options under the Share Option Scheme of RMB18,783,000 during the Period (six months ended 30 June 2015: RMB100,000).

111,000 share options under the Share Option Scheme were exercised during the Period, resulting in the issue of 111,000 ordinary shares of the Company and new share capital of HK\$1,110 (equivalent to RMB932) and share premium of HK\$1,780,000 (equivalent to RMB2,085,000) (before issue expenses). An amount of RMB756,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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29. 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.

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.

During the Period, no ordinary shares of the Company on the Stock Exchange were purchased for the Share Award Scheme (six months ended 30 June 2015: Nil).

Summary of particulars of the shares granted under the Share Award Scheme (the “**Awarded Shares**”) during the Period is as follows:

Date of grant	Number of outstanding Awarded Shares at 31 December 2015	Fair value RMB	Vesting date	Number of Awarded Shares		
				Vested during the Period	Forfeited during the Period	Outstanding Awarded Shares at 30 June 2016
31 December 2015	932,817*	12,301,000	31 December 2016	-	(121,895)	810,922

The Group recognised a share award expense of RMB4,911,000 during the Period (six months ended 30 June 2015: RMB5,118,000).

* Among these Awarded Shares granted, 462,757 Awarded Shares were granted to the executive directors.

29. SHARE AWARD SCHEMES (CONTINUED)

2013 Share Award Scheme

The board of directors of the Company approved the adoption of the 2013 Share Award Scheme on 29 November 2013.

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.

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.

During the six months ended 30 June 2016, 127,811 awarded shares (six months ended 30 June 2015: Nil) were granted.

The fair value of the awarded shares was calculated based on the market prices of the Company's shares at the respective grant dates. The expected dividends during the vesting period have been taken into account when assessing the fair value of these awarded shares.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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29. SHARE AWARD SCHEMES (CONTINUED)

2013 Share Award Scheme (continued)

Summary of particulars of the shares granted under the 2013 Share Award Scheme (the “**2013 Awarded Shares**”) during the Period is as follows:

Date of grant	Number of outstanding 2013 Awarded Shares at 31 December 2015 and newly granted during the Period	Fair value RMB	Vesting date	Number of 2013 Awarded Shares		
				Vested during the Period	Forfeited during the Period	Outstanding awarded shares at 30 June 2016
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	-	(126,559)	1,045,129
29 December 2015	585,947	7,238,000	1 April 2017	-	-	585,947
3 May 2016	45,289	755,000	30 December 2016	-	-	45,289
3 May 2016	82,522	1,375,000	1 April 2017	-	-	82,522
Total	2,022,046	26,188,000		-	(194,859)	1,827,187

During the Period, no shares were issued for the 2013 Share Award Scheme (six months ended 30 June 2015: Nil).

The Group recognised a share award expense of RMB9,464,000 during the Period (six months ended 30 June 2015: RMB15,733,000).

30. BUSINESS COMBINATION

Acquisition of Healthy Times Inc. (“Healthy Times”)

On 1 July 2015, the Group acquired all the equity interest in Healthy Times from third parties of the Group. Healthy Times is a corporation founded in the United States of America 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 all the purchase consideration by the end of 2015.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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30. BUSINESS COMBINATION (CONTINUED)

Acquisition of Healthy Times (continued)

As at 31 December 2015, the purchase price allocation of Healthy Times was incomplete, pending on the finalisation of valuation of certain assets and liabilities and the determination of the tax bases of the assets and liabilities acquired.

During the Period, the valuation of these assets and liabilities has been completed, and the purchase price allocation has been completed as follows:

	Preliminary fair value recognised on acquisition RMB'000	Final fair value recognised on acquisition RMB'000 (Restated)
Intangible assets	–	31,210
Inventories	4,092	4,092
Trade receivables	2,755	2,755
Cash and cash equivalents	57	57
Trade payables	(1,161)	(1,161)
Other payables and accruals	(104)	(104)
Deferred tax liability	–	(10,924)
Total identifiable net assets at fair value	5,639	25,925
Goodwill on acquisition	58,919	38,633
Total consideration for acquisition	64,558	64,558
Satisfied by cash	64,558	64,558

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30. BUSINESS COMBINATION (CONTINUED)

Acquisition of Healthy Times (continued)

The quantitative impact on the financial statements is summarised below:

Impact on the consolidated statement of financial position:

	As at 31 December 2015 RMB'000
Increase in intangible assets	31,917
Decrease in goodwill	(19,096)
Increase in total non-current assets	12,821
Increase in deferred tax liabilities	(11,171)
Increase in other reserves	1,650

Impact on the consolidated statement of profit or loss and other comprehensive income:

	Year ended 31 December 2015 RMB'000
Increase in selling and distribution costs	(1,192)
Decrease in tax expense	418
Decrease in profit for the year	(774)
Increase in other comprehensive income for the year	2,424
Increase in total comprehensive income for the year	1,650

Impact on the earnings per share attributable to ordinary equity holders of the parent:

	Year ended 31 December 2015 RMB
Decrease in basic earnings per share	(0.001)
Decrease in diluted earnings per share	(0.001)

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31. 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 30 June 2016 and 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within one year	41,320	70,634
In the second to fifth years, inclusive	96,623	79,559
After five years	32,688	25,438
	170,631	175,631

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Contracted, but not provided for: Property, plant and equipment	1,306	28,467

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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33. RELATED PARTY BALANCES AND TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the period:

(a) Related party transactions

	Notes	Six months ended 30 June	
		2016	2015
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Purchases of raw materials from a company under the common control of the directors	(i)	1	1,674
Purchases of finished goods from an associate	(i)	7,302	62,529
Interest from a loan to an associate	(ii)	583	–

Notes:

- (i) The transactions were conducted in accordance with mutually agreed terms.
- (ii) The loan to an associate is subject to interest at the rate of 3% per annum.

(b) Outstanding balances with related parties

At the end of the reporting period, the loan to an associate is unsecured, bears interest at a rate of 3% per annum and is repayable on 31 October 2016.

(c) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fees	890	890
Short-term employee benefits	21,793	25,056
Pension scheme contributions	329	678
Equity-settled share option expense	4,013	354
Equity-settled share award expense	7,461	1,006
Total compensation paid to key management personnel	34,486	27,984

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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34. 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	
	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Financial assets				
Derivative financial instruments				
– Convertible option embedded in a loan receivable	2,786	2,728	2,786	2,728
– Early redemption option embedded in the senior notes	27,700	–	27,700	–
	30,486	2,728	30,486	2,728
Financial liabilities				
Derivative financial instruments				
– Forward currency contracts	4,457	5,559	4,457	5,559
– Put option embedded in the Roll-Up Call Option	5,482	13,446	5,482	13,446
– Senior notes	2,619,239	–	2,748,632	–
	2,629,178	19,005	2,758,571	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 and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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34. 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 bonds receivable, loans receivable, the non-current time deposits, loan to an associate, held-to maturity investment, interest-bearing bank loans 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 interest-bearing bank loans and convertible bonds, and the suppliers' non-performance risk for loans and bonds receivables as at 30 June 2016 were assessed to be insignificant.
- (b) The convertible option embedded in a loan receivable is measured using valuation technique of Binomial tree model using significant unobservable market inputs.
- (c) The derivative financial instrument arising from the financial indebtedness adjustment clause related to the put option is measured using valuation technique 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 prices. The carrying amounts of forward currency contracts are the same as their fair values.
- (e) The derivative financial instrument arising from an early redemption option embedded in the senior notes is measured using valuation technique of Hull-White model using significant unobservable market inputs.
- (f) The fair value of the senior notes is based on the quoted market price provided by a leading global financial market data provider.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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34. 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 RMB335,000 1% decrease in WACC would result in increase in fair value by RMB2,148,000
		Discount rate	13.09% to 13.35%	1% increase in discount rate would result in increase in fair value by RMB813,000 1% decrease in discount rate would result in decrease in fair value by RMB755,000
Derivative financial instrument Put option embedded in the Roll-Up Call Option	Monte Carlo simulation	WACC	15.35% to 15.66%	1% increase in WACC would result in decrease in fair value by RMB99,000 1% decrease in WACC would result in increase in fair value by RMB248,000
		Volatility ("Vol")	51.37% to 52.40%	1% increase in Vol would result in increase in fair value by RMB244,000 1% decrease in Vol would result in decrease in fair value by RMB152,000

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Derivative financial instrument	Hull-White model	Credit spread	3.57% to 3.65%	1% increase in credit spread would result in decrease in fair value by RMB498,000
Early redemption option embedded in the senior notes				1% decrease in credit spread would result in increase in fair value by RMB500,000

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Derivative financial instruments				
– Convertible option embedded in a loan receivable	–	–	2,786	2,786
– Early redemption option embedded in the senior notes	–	–	27,700	27,700
As at 30 June 2016 (Unaudited)	–	–	30,486	30,486
Derivative financial instrument				
– Convertible option embedded in a loan receivable	–	–	2,728	2,728
As at 31 December 2015 (Audited)	–	–	2,728	2,728

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Assets measured at fair value (continued):

The movements in fair value measurements within Level 3 during the Period and the year ended 31 December 2015 are as follows:

	2016 RMB'000 (Unaudited)	2015 RMB'000 (Audited)
At 1 January	2,728	2,570
Addition	27,577	–
Total gain/(loss) recognised in profit or loss	3	(2)
Exchange alignment	178	160
Fair value at end of period/year	30,486	2,728

Liabilities measured at fair value:

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active market (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Derivative financial instruments				
– Forward currency contracts	4,457	–	–	4,457
– Put option embedded in the Roll-Up Call Option	–	–	5,482	5,482
As at 30 June 2016 (Unaudited)	4,457	–	5,482	9,939
Derivative financial instruments				
– Forward currency contracts	5,559	–	–	5,559
– Put option embedded in the Roll-Up Call Option	–	–	13,446	13,446
As at 31 December 2015 (audited)	5,559	–	13,446	19,005

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

The movements in fair value measurements within Level 3 during the Period and the year ended 31 December 2015 are as follows:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Put option embedded in the Roll-Up Call Option:		
At 1 January	13,446	–
Addition	–	358
Total losses recognised in profit or loss	(8,326)	13,067
Exchange alignment	362	21
Fair value at end of period/year	5,482	13,446

During the Period, there were no (six months ended 30 June 2015: 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.

Liabilities disclosed at fair value:

	Fair value measurement using			Total RMB'000 (Unaudited)
	Quoted prices in active market (Level 1) RMB'000 (Unaudited)	Significant observable inputs (Level 2) RMB'000 (Unaudited)	Significant unobservable inputs (Level 3) RMB'000 (Unaudited)	
Senior notes				
As at 30 June 2016 (Unaudited)	–	2,748,632	–	2,748,632

35. COMPARATIVE AMOUNTS

As further explained in note 4 to the interim condensed consolidated financial statements, due to the reorganisation of reportable segments during the Period, certain comparative amounts have been restated to conform with the current period's presentation.

As further explained in note 30 to the interim condensed consolidated financial statements, the purchase price allocation for the business combination has been completed during the Period, certain comparative amounts have been restated to conform with the current period's presentation and accounting treatment. The consolidated statement of financial position as at 1 January 2015 was not presented as the retrospective restatement had no effect on the information in the consolidated statement of financial position at the beginning of the preceding period.

36. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 23 August 2016.



BIOSTIME

Biostime International Holdings Limited

合生元國際控股有限公司