Making People Healthier and Happier

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

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

(Stock Code 股份代號: 1112)

Annual Report 2016 年報

Making People Healthier and Happier

Ashley Hart
Swisse Brand Ambassador

BIOSTIME 合生元

Swisse

Healthy Times®

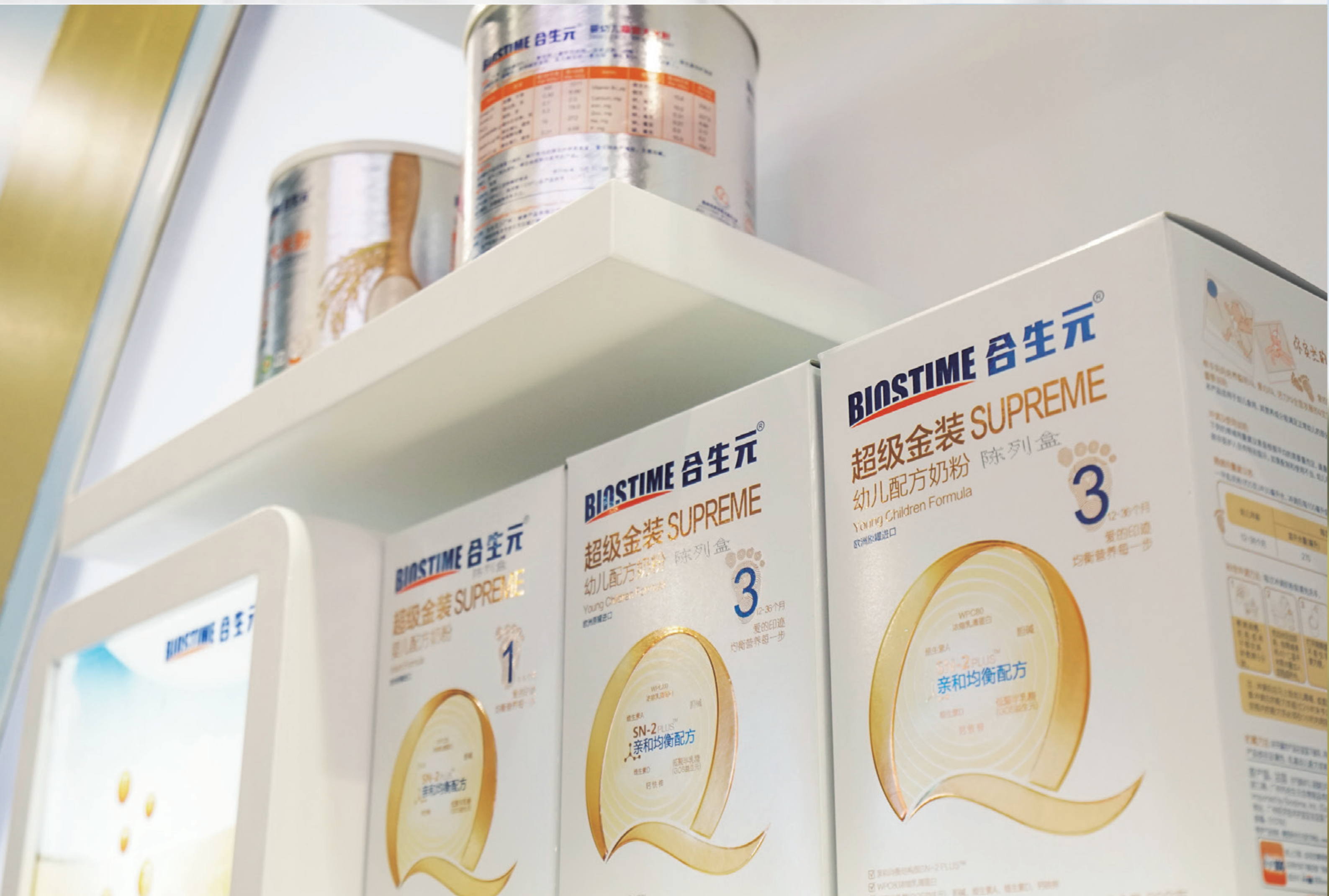
dodie

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 ——


Swisse
WOMEN'S ULTIVITE
MULTIVITAMIN
SUPPORT DURING STRESS
ASSISTS ENERGY LEVELS
STAMINA & VITALITY
WOMEN'S HEALTH
60 TABLETS ONE-A-DAY


BIOSTIME 合生元
超级金装 SUPREME
幼儿配方奶粉 陈列盒
Young Children Formula
3
亲和均衡配方

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Corporate Information

BOARD OF DIRECTORS

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

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

AUDITOR

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

Corporate Information

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

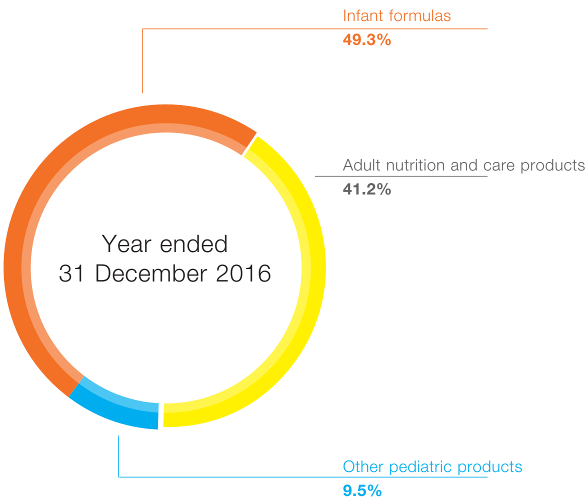
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

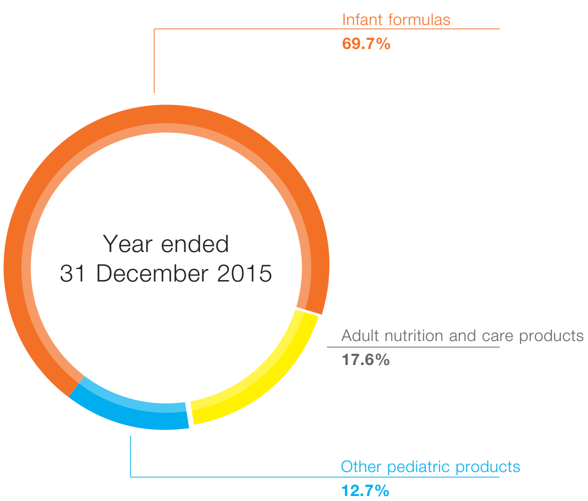
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Financial Highlights

	Year ended 31 December		
	2016 RMB'000	2015 RMB'000 (Restated)	% of Change
Revenue	**6,505,616**	4,818,561	35.0%
Gross profit	**4,059,067**	2,984,565	36.0%
Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")	**2,043,110**	626,438	226.1%
Profit for the year	**1,051,962**	292,547	259.6%
Net cash flows from operating activities	**1,543,193**	365,732	321.9%
Basic earnings per share	**RMB1.52**	RMB0.41	270.7%

REVENUE BY PRODUCT SEGMENT





Chairman's Statement

Dear Shareholders,

On behalf of Biostime International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to present our annual report for the year ended 31 December 2016.

BUSINESS REVIEW

2016 was a year of challenges and new ambitions for the Group. During the year, we navigated our business through fierce market competition in the infant milk formula ("IMF") segment and major regulatory changes such as formula registration rules and new regulations on Cross Border E-Commerce ("CBEC"). Amid the challenging environment, we launched active sales in China through CBEC for Swisse Wellness Group Pty Ltd ("Swisse") and initiated post-acquisition integration of the Group. Through continuous investments in our brands, we maintained our leading positions in both the baby nutrition and care ("BNC") and adult nutrition and care ("ANC") segments.

The Group's total revenue and net profit for the year ended 31 December 2016 reached RMB6,505.6 million and RMB1,052.0 million on currency-adjusted basis, with gross margin improving to 62.4% in 2016 from 61.9% in 2015. During the same period, the BNC and ANC segments contributed 58.8% and 41.2% of the Group's total revenue with EBITDA contribution of 62.6% and 37.4%, respectively.

This past year, the Chinese IMF market remained intensely competitive as the PRC authorities released stringent formula registration rules in a bid to ensure the quality and safety of these products. The implementation of these rules has led to increased competition and reduction in prices and margins as many players seek to reduce the number of product series. Consequently, our revenue from the BNC segment experienced a slight decrease of 3.7% for the year of 2016 on a year-on-year basis, which was mainly attributed to the decline of our mid-tier IMF products under the ADiMIL™ brand, while the revenue from Biostime™ branded IMF products increased by 4.4% compared to the prior year. According to Nielsen, an independent market research firm, the Group's share of the overall IMF market in China remained stable at 5.8% for the twelve months ended 31 December 2016 as compared to 5.9% for the twelve months ended 31 December 2015. In order to capture the fast-growing demand for organic IMF products, we launched an organic IMF series in December 2016 under Healthy Times™, a 36-year-old California-based organic baby food brand acquired by the Group in 2015. In addition, sales of our probiotics products achieved a 29.8% increase compared to the same period last year, thanks to our innovative marketing initiatives as well as growing demand from the market as resulting from increased awareness of the health benefits associated with probiotics in China.

The revenue derived from the ANC segment amounted to AUD542.5 million and increased by 2.6% for the year ended 31 December 2016 compared with the corresponding period last year, assuming the financial results of Swisse were fully consolidated into the Group for twelve months ended 31 December 2015. Based on the research statistics from IRI, Swisse maintained a leading position in the Australian vitamin, herbal and mineral supplements ("VHMS") market with a market share of 16.6% for the twelve months ended 31 December 2016. The CBEC regulatory changes first announced in April 2016 led to destocking from distributors and retailers in Australia and lower retail prices across both the Australian and Chinese markets in 2016, which negatively impacted our sales. In order to maintain the premium positioning of Swisse and healthy inventory levels in our customer channels, we streamlined the number of distributors in Australia and our discount strategy in both markets in the fourth quarter of 2016. At the same time, we increased our marketing efforts to drive higher consumer demand.

Chairman's Statement

BUSINESS REVIEW (Continued)

2016 was the first complete financial year after the acquisition of Swisse in September 2015. To enhance our premium brand image among consumers in our two core markets of Australia and China, we continued to invest in Swisse's brand equity to ensure the long-term growth of this business. In the Australian market, we strengthened our long-term partnership with the Australian Olympic and Paralympic teams, and facilitated a wide-reaching and innovative brand marketing campaign for the 2016 Rio Olympics. Meanwhile in the Chinese market, Swisse continued to lead the healthcare category on Alibaba platforms with its unique branding and product offering. The strategic partnerships with major e-commerce platforms in China empowered Swisse to achieve strong sales growth by increasing its exposure through sophisticated co-operative campaigns, such as:

– Official China launch gala with Swisse brand ambassador Nicole Kidman;

– Arnold Classic Asia Multi Sport Festival with Tmall.hk;

– Champion House for the Rio Olympics with NetEase Kaola.com;

– Sole title sponsor of 12-hour live show for Singles' Day with JD.com; and

– Sponsorship of The Color Run™ Shenzhen with VIP.com.

Despite these major marketing and branding investments, coupled with impacts from PRC regulatory challenges, Swisse still achieved a solid EBITDA margin of 27.9% for the full year of 2016.

PROSPECTS

With the new mission of "Making People Healthier and Happier", the Group aspires to become a global leader in premium nutrition and wellness through our superior products and aspirational brands. In order to better reflect the equal importance of our two business segments, BNC and ANC, as well as our common corporate culture and values, we are planning to reposition our Group with a new name which will embody the new mission and vision of the Group.

Heading into 2017, we expect challenges from market competition and regulatory changes in both the IMF and VHMS segments, however, we also see great opportunities for growth and synergies from further integration.

Business Integration

Following the completion of the acquisition of the remaining 17% minority interest in Swisse, we have initiated a group-wide integration program to facilitate synergies and operational efficiencies across all business dimensions, including distribution, research and innovation, finance, customer relationship management ("CRM"), corporate culture and personnel capability.

The primary focus of our integration initiatives is to leverage the existing resources of the Group to realize maximum synergies. As part of this, in 2017 Swisse will expand its presence in China from CBEC to normal trade by utilizing Biostime's existing business resources including its sales teams, distribution systems, store networks and CRM systems. This will enable us to accelerate our exposure in the fast growing VHMS market in China and more efficiently build up a loyal customer base.

PROSPECTS (Continued)

Baby Nutrition and Care

Looking ahead, we believe that the Chinese IMF market will continue to consolidate as the enforcement of formula registration rules come into effect on 1 January 2018. Price volatility is expected to continue in 2017 due to destocking as many players seek to reduce the number of product series before the enforcement of the registration rules. Post full implementation of the two-child policy and formula registration rules, we are confident that Biostime will benefit from both the increasing demand and market consolidation starting in the later part of 2017. At the end of 2016, we introduced the new Healthy Times™ organic IMF series to the Chinese market to strengthen our offering in the supreme segment. This new series has received positive feedback from consumers since its launch. In December 2016, we completed the full acquisition of Dodie, a renowned French baby product brand with nearly 60 years of history, to complement our product portfolio and capture the growing demand for baby care and accessories products. Dodie's strong brand equity and unique products in international markets will enhance our global image and expand our high quality product offering in the baby care segment.

Adult Nutrition and Care

After gradual destocking from distributors and retailers in Australia in 2016 following the announcement of the CBEC regulatory changes, we have recently observed that the market confidence has been gradually restored with inventory levels normalizing. However, we may face pressure in the first half of 2017 as a result of changes to the stock discount structure implemented in the fourth quarter of 2016 as part of our global pricing strategy and relative to the first half of 2016 which was prior to the regulatory changes. It will take some time for us to achieve a full recovery from the impact on our business, but we are confident we can achieve sustainable growth through business initiatives in Australia and China during the full year of 2017, especially given the clearer CBEC regulatory directions.

As of March 2017, Swisse is delighted to have entered into an international partnership agreement with Scuderia Ferrari F1® Team, the world's most successful Formula 1 team in history. This partnership is another transformational ingredient in Swisse's global marketing strategy and will support our growth and expansion into new markets, raising awareness with consumers worldwide, including within China. In Australia, we also look forward to aspirational brand and instore marketing initiatives related to our partnerships with the Australian Football League and Australian Rugby Union Team, and Swisse ambassadors. Swisse continues to lead in product innovation with the launch of a number of new products in our innovation pipeline set to launch globally over the next 12 to 18 months.

Chairman's Statement

PROSPECTS (Continued)

Adult Nutrition and Care (Continued)

To accelerate our business expansion and broaden our consumer base, we have kicked off the offline roll-out in China with soft launch in selective retail outlets such as Watsons and Sam's club, and will leverage more existing retail resources to introduce Swisse offline products as conventional food, including the two hero products Hair, Skin and Nails (HSN) and Cranberry Concentrate in liquid and effervescent forms. With strong sales momentum on major e-commerce platforms and the upcoming official offline launch, we foresee promising growth for Swisse in the Chinese market and will continue to increase brand awareness via cutting-edge marketing campaigns. In addition, once the supporting rules are fully released, we will commence the filing and registration procedures for certain products that fall into the health food category as required by the Administrative Measure of Registration and Filing of Health Food (《保健食品註冊與備案管理辦法》).

Globalization

As a dedicated leader in our core markets, we procure our premium ingredients from the best sources in the world to make superior products under our aspirational brands. Thanks to our strong innovation capability and science-based proprietary formulas, we continue to lead in the IMF and VHMS categories by offering products that meet consumer needs in different markets.

Healthy lifestyle is becoming a priority for many consumers across the globe. By leveraging our global resources and working hand in hand with our business partners, we will strive to promote our superior products and aspirational brands in more territories, such as Singapore, United Kingdom, Italy, Netherlands, France and North America with a focus on innovation capability, brand investment and resources integration. We expect the combined strength of Swisse and Biostime to drive our sales, market share and consumer engagement globally in the future.

Capital Structure

In 2016, the Group successfully refinanced debt raised to fund the Swisse acquisition in September 2015 and existing convertible bonds, thereby significantly de-risking the balance sheet of the Group. Following these two successful debt refinances in 2016 and completion of the senior notes offering to fund the buyout of the remaining 17% Swisse minority stake in February 2017, our priority is to further improve our capital efficiency and overall financial stability to lay a solid foundation for future growth.

CHALLENGES

Regulatory changes, including IMF registration rules and CBEC regulations, remain the biggest challenges for our business. Nevertheless, we are proactively responding to the ever-changing environment by enabling the offline product launch of certain star products as conventional food in the Chinese market.

Within the IMF segment, we have been preparing for the application documents associated with the new formula registration rules and already started to submit. Supported by high manufacturing standards to ensure product safety as well as strong research and development capability to deliver premium quality, we are confident that our products can meet the stringent requirements set by the authorities.

Within the ANC products segment, the effective date of the new CBEC regulation, which was announced on 8 April 2016, has been further postponed to the end of 2017 in accordance with a statement of the Ministry of Commerce issued in November 2016. On 17 March 2017, Ministry of Commerce further clarified that starting from 1 January 2018, the commodities imported via CBEC will be considered as personal goods and no longer be subject to trading goods requirements until further notice. This will significantly reduce the regulatory constraints that may have been previously imposed on our ANC products. Though the government appears to have adopted a more open attitude towards CBEC, there may be new regulatory arrangements to ensure product quality and safety post the grace period. Our offline product launch in China will further help diversify any risk to our CBEC sales as the sales contribution from physical stores increases over time.

SOCIAL RESPONSIBILITY

Social responsibility for the Group is understanding that a healthy community means a healthy environment and healthy people balancing nutrition, movement and mindfulness in their daily life choices.

We understand the need to speak with consumers about taking control of their health, and that small changes in choices can make big impacts on their health and wellness. As such, the Group proactively seeks to nourish social, environmental, and economic factors within our community in order to build a more sustainable future.

The materials we purchase are carefully considered, so we are not only offsetting our emissions, but funding programs that have many benefits for the community. We nourish the environment through our carbon offsetting programs in Australia and Carbon Neutral status, verified through the Australian Government's National Carbon Offset Standard.

The Group also has two philanthropic foundations. The "Biostime China Foundation for Mother and Child" (the "BC Foundation") was established in 2007 in cooperation with the Chinese Red Cross Foundation and donates RMB0.10 to the BC Foundation for every product unit sold. Since its inception, the BC Foundation has raised a total of approximately RMB29.0 million and supported over 1,085 children and mothers who suffer from serious illnesses. In recognition of the Group's contribution to society, the Group was awarded "Public Welfare Innovation of the Year" and "Public Welfare Project of the Year" at the China Charity Festival 2016.

In addition, the Group also has the Celebrate Life Foundation which was founded by Swisse in 2014. The foundation's name encapsulates its mission and vision – helping people celebrate life every day. The Celebrate Life Foundation aims to inspire wellness throughout the community, by addressing Australia's biggest health challenge – growing rates of preventable disease. To make this happen, the Celebrate Life Foundation supports charitable programs and research initiatives that promote a greater awareness and encourage action around the three pillars of lifelong wellness: Mindfulness, Movement and Nutrition. Since its inception, the Celebrate Life Foundation has raised over AUD2.0 million for community programs.

Chairman's Statement

ACKNOWLEDGEMENTS

The Group has successfully created a strong foundation for sustainable growth in two dynamic segments, and furthered its endeavors to expand globally. This would not have been accomplished without the devoted effort and support from our dedicated employees, shareholders, Mama 100 members, banking and business partners across all markets. I would like to extend my sincere gratitude to all these people and look forward to a long-term collaboration in creating a prosperous future and making people heathier and happier.

Luo Fei
Chairman

Hong Kong, 27 March 2017

Management Discussion and Analysis

SUMMARY OF 2016 RESULTS

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

	Year ended 31 December		
	2016	2015*	% of
	RMB'000	RMB'000	Change
		(Restated)	
Revenue	**6,505,616**	4,818,561	35.0%
Gross profit	**4,059,067**	2,984,565	36.0%
Selling and distribution costs	**1,951,748**	1,977,024	(1.3%)
Administrative expenses	**357,187**	280,144	27.5%
Earnings before interest, tax, depreciation and amortization ("EBITDA")**	**2,043,110**	626,438	226.1%
Profit for the year	**1,051,962**	292,547	259.6%

* Since the consolidation of Swisse's financial result into the group commenced from 1 October 2015, It should be noted that the Group's revenue for the year ended 2015 included only Swisse revenue for the period from 1 October to 31 December 2015.

** EBITDA for the twelve months ended 31 December 2016 included 1) net foreign exchange gains of RMB99.1 million; 2) net fair value gains of RMB160.4 million from foreign exchange and interest rate swaps contracts related to the debt instruments and others; 3) non-cash losses of RMB21.2 million resulted from the change of the carrying amount of put options related to the rights that have been given to the non-controlling shareholders of Swisse to sell all the interests in Swisse to the Group.

Management Discussion and Analysis

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Net cash flows from operating activities	**1,543,193**	365,732
Net cash flows used in investing activities	**(735,496)**	(4,163,769)
Net cash flows (used in)/ from financing activities	**(657,513)**	2,570,498

RESULTS OF OPERATION

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

Revenue

For the year ended 31 December 2016, revenue of the Group increased by 35.0% to RMB6,505.6 million as compared with 2015. The increase in revenue was mainly attributable to the Group enriching its product portfolio into the adult nutrition and care products segment under the "Swisse" brand through the acquisition of an approximate 83% equity interest in Swisse on 30 September 2015.

	Year ended 31 December			
	2016	**% of**	2015	% of
	RMB'000	**Revenue**	RMB'000	Revenue
Baby nutrition and care products	**3,823,090**	**58.8%**	3,968,658	82.4%
– Infant formulas	**3,203,601**	**49.3%**	3,355,849	69.7%
– Other pediatric products	**619,489**	**9.5%**	612,809	12.7%
Adult nutrition and care products	**2,682,526**	**41.2%**	849,903	17.6%
Total	**6,505,616**	**100.0%**	4,818,561	100.0%

Infant formulas

Revenue from the infant formulas segment decreased by 4.5% to RMB3,203.6 million for the year ended 31 December 2016 compared with prior year. This decrease was primarily attributable to the decline in revenue of the ADiMIL™ branded products by 74.1% compared with prior year, as a result of increased competition in the mid-tier segment and distributors reducing their inventory holding levels in anticipation of new regulations limiting the number of Stock Keeping Units ("SKUs") per manufacturer. However, revenue of the Biostime™ branded IMF products increased by 4.4% for the year ended 31 December 2016 compared with last year. The Group also launched Healthy Times™ branded organic infant formulas in December 2016, which received positive feedback from the consumers.

Adult nutrition and care products

The consolidation of Swisse's financial results into the Group commenced from 1 October 2015. The Swisse results from prior to the acquisition of an approximate 83% equity interest in Swisse were included in the below discussion for comparison purposes.

RESULTS OF OPERATION (Continued)

Revenue (Continued)

Adult nutrition and care products (Continued)

Revenue from the adult nutrition and care products segment increased by 2.6% to AUD542.5 million for the year ended 31 December 2016 compared with revenue of AUD528.9 million assuming Swisse's financial results were fully consolidated for the whole year ended 31 December 2015. Sales growth was primarily attributable to increased consumer demand for Swisse products in China, but negatively impacted by the CBEC regulatory change announced in April 2016 which resulted in destocking from distributors and resellers in Australia and lower prices across the Australia and Chinese markets in 2016.

In 2016, Swisse began to service the Chinese market directly via its flagship store opening on Tmall.hk, and engagement with other major CBEC platforms, such as VIP.com, NetEase Kaola.com and JD.com. These sales directly into China accounted for 14.1% the revenue of the adult nutrition and care products for the year ended 31 December 2016.

Other pediatric products

Other pediatric products segment mainly consisted of probiotic supplements, the revenue of which accounted for 81.6% of this segment and has achieved outstanding growth of 29.8% for the year ended 31 December 2016, as a result of innovative marketing initiatives and growing consumer demand thanks to higher awareness of health benefits associated with probiotics in China. This fast growth was partially offset by the decline of other baby care products, which resulted in the overall other pediatric products segment growth of 1.1% in 2016.

Gross profit and gross profit margin

During the year ended 31 December 2016, the Group recorded gross profit of RMB4,059.1 million, which increased by 36.0% compared with last year. Gross profit margin increased from 61.9% in 2015 to 62.4% in 2016.

The gross profit of baby nutrition and care segment increased by 2.2% to RMB2,516.9 million in 2016 compared with last year, while the gross profit margin increased to 65.8%. 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; and (ii) reduced price discounting activities, replaced by other value-added consumer rewarding programs, which had less impact on the gross profit.

The gross profit of adult nutrition and care segment decreased by 5.4% to AUD311.9 million in 2016 compared with last year of AUD329.6 million assuming Swisse were fully consolidated for the whole year. The gross profit margin of adult nutrition and care segment decreased from 62.0% in 2015 to 57.5% in 2016, as a result of higher discounting in both Australia and China to drive volume growth post CBEC regulatory change.

Other income and gains

Other income and gains amounted to RMB323.7 million for the year ended 31 December 2016, representing an increase of 124.8% with the prior year. Excluding Swisse, other income and gains amounted to RMB314.6 million. Other income and gains primarily consisted of net foreign exchange gain of RMB99.1 million, interest income of RMB53.7 million, net fair value gains of RMB160.4 million from foreign exchange and interest rate swaps contracts related to the debt instruments and others.

Management Discussion and Analysis

RESULTS OF OPERATION (Continued)

Selling and distribution costs

Selling and distribution costs amounted to RMB1,951.7 million for the year ended 31 December 2016, which remained stable compared with RMB1,977.0 million for last year. Excluding the selling and distribution costs of Swisse of RMB596.3 million and the amortization expenses of RMB74.0 million in relation to the intangible assets identified in the acquisition of Swisse, the selling and distribution costs decreased by 30.9% for the year ended 31 December 2016 compared with the prior year. This decrease was primarily attributable to one-off high marketing spending in relation to the SN-2 PLUS launch in the first three quarters of 2015 and also a reduction in the employees as a result of the Group's reorganization in the last quarter of 2015 following the acquisition of Swisse.

Swisse's standalone selling and distribution costs decreased by 17.9% to RMB596.3 million for the year ended 31 December 2016 compared to the year ended 31 December 2015, assuming Swisse were fully consolidated for the year. The decrease was mainly attributable to the one-off Management Incentive Share Plan ("MISP") cash bonuses in relation to the acquisition of Swisse in 2015. This decrease was partially offset by the increased sales activity in China and increased advertising and marketing expenses, which were primarily invested for the Rio Olympics campaign and launch of China active sales, as well as additional cooperative advertising with Australian customers to drive sales. As the MISP was implemented before the Acquisition, it had no impact on the operating results of the Group for the year ended 31 December 2016 and 2015, respectively.

The selling and distribution costs as a percentage of the Group's revenue decreased from 41.0% for the year ended 31 December 2015 to 30.0% in 2016.

Administrative expenses

Administrative expenses increased by 27.5% from RMB280.1 million for the year ended 31 December 2015 to RMB357.2 million for this year mainly due to the inclusion of Swisse's full year administrative expenses in 2016. Excluding the administrative expenses of Swisse of RMB127.0 million and amortization expenses of RMB3.7 million in relation to the intangible assets identified in the acquisition of Swisse, the administrative expenses decreased by 2.9% in 2016 compared with the prior year. This decrease was primarily due to the decreased one-off transaction costs in relation to the acquisition of Swisse in 2015.

Swisse's standalone administrative expenses decreased by 65.1% for the year ended 31 December 2016 compared to the year ended 31 December 2015, assuming Swisse were fully consolidated for the last whole year. The decrease was mainly attributable to the one-off "MISP" cash bonuses and transaction costs in connection with the acquisition of Swisse in 2015. This decrease was partially offset by an increase in employee expenses to enhance operational capability to support active sales in China and expansion globally.

The percentage of administrative expenses to Group's revenue was 5.5% in 2016, compared with 5.8% in last year.

RESULTS OF OPERATION (Continued)

Other expenses

Other expenses for the year ended 31 December 2016 amounted to RMB144.0 million or RMB113.5 million excluding Swisse. Other expenses consisted of R&D expenses of RMB77.2 million and a non-cash loss of RMB21.2 million resulted from the change of the carrying amount of put options related to the rights that have been given to the non-controlling shareholders of Swisse to sell all their interests in Swisse to the Group. The other expenses in 2016 decreased by 32.8% compared with the prior year, which was because net foreign exchange loss was recorded in 2015 while a net foreign exchange gain was recorded in 2016.

EBITDA and EBITDA margin

EBITDA for the year ended 31 December 2016 increased to RMB2,043.1 million from RMB626.4 million for the year ended 31 December 2015. The EBITDA margin for the year ended 31 December 2016 was 31.4%, representing a strong increase from 13.0% in the last year.

Finance costs

During the year ended 31 December 2016, the Group incurred finance costs of RMB468.3 million, including bank loan interests of RMB226.7 million, bank charges of RMB52.4 million, interest expenses of the convertible bonds and senior notes of RMB171.1 million, and cost from the repurchase of part of the convertible bonds of RMB18.0 million.

Income tax expenses

Income tax expenses increased from RMB210.2 million in 2015 to RMB404.6 million in 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 decreased from 41.8% in 2015 to 27.8% in this year. The decrease was mainly due to one-off items including the utilization of Swisse's carried forward losses which were incurred in U.S. before the acquisition of Swisse, and a tax deduction that result from tax consolidation of the Group's Australian subsidiaries which occurred in September 2016 post the completion of the exercise of the Roll-up Call Option. The benefit was partially offset by the higher corporation income tax rate for Australian companies at 30.0%, the non-deductible cost arising from the repurchase of part of the convertible bonds, as well as the non-deduction interest and transaction costs relating to certain bank loans and senior notes.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

For the year ended 31 December 2016, the Group had net cash generated from operating activities of RMB1,543.2 million, resulting from the pre-tax cash from operation of RMB1,944.3 million, minus the income tax paid of RMB401.1 million.

Investing activities

For the year ended 31 December 2016, net cash flows used in investing activities amounted to RMB735.5 million. Net cash flows used in investing activities for the year ended 31 December 2016 were primarily related to the residual payment in relation to the acquisition of an approximate 83% equity interest in Swisse, the down payment in relation to the acquisition of remaining approximate 17% equity interest in Swisse, and the payment for acquisition of Dodie.

Management Discussion and Analysis

LIQUIDITY AND CAPITAL RESOURCES (Continued)

Financing activities

For the year ended 31 December 2016, net cash flows used in financing activities amounted to RMB657.5 million. The cash outflow of RMB7,131.7 million was primarily related to repayment of the bridge loan and other short-term bank loans of RMB5,104.7 million, the repurchase of the convertible bonds of RMB1,649.5 million in a tender offer and the interest payment of RMB356.8 million for bank loans and senior notes. The cash inflow of RMB6,474.2 million was primarily related to the release of pledged deposits of RMB1,927.0 million, the net proceeds from the new term loan of RMB2,918.3 million, and the issuance of senior notes of RMB2,575.1 million net of the proceeds of RMB950.8 million pledged in the escrow account.

Cash and bank balances

As of 31 December 2016, cash and cash equivalents as stated in the consolidated statement of financial position amounted to RMB1,506.2 million. Taking into consideration of remaining proceeds from the issuance of senior notes of RMB995.5 million which are held in the escrow account as pledged deposits, and scheduled to be released to redeem the remaining outstanding convertible bonds, the Group's cash and bank balances amounted to RMB2,501.7 million as of 31 December 2016.

Interest-bearing bank loans and convertible bonds

In April 2016, the Group secured a new term loan to refinance the bridge loan which had been borrowed to partly fund the acquisition of Swisse. The new term loan provides long-term funding certainty to the Group, thus strengthening the Group's capital structure.

The Group's outstanding interest-bearing bank loans amounted to RMB2,792.2 million as of 31 December 2016, including RMB549.4 million repayable within one year and RMB2,242.8 million repayable after one year.

In June 2016, the Company issued US$400.0 million 7.25% senior notes due 2021 to redeem the existing convertible bonds. As of 31 December 2016, the carrying amount of the senior notes amounted to RMB2,743.9 million.

As of 31 December 2016, the carrying amount of the liability portion of the convertible bonds amounted to RMB1,223.6 million.

Taking convertible bonds, senior notes and interest-bearing bank loans into consideration, the gearing ratio was 47.6%. The gearing ratio is calculated by dividing the sum of the carrying amount of 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 from end of month. The Group's suppliers generally grant a credit period of between 30 and 90 days.

The Group seeks to maintain strict control over outstanding receivables and creditors to minimize credit risk. The average turnover days for trade and bills receivables remained stable at 32 days for the year ended 31 December 2016. The average turnover days of the trade payables was 84 days for the year ended 31 December 2016.

The Group endeavored to maintain its inventory at a healthy level to avoid excess inventory and deep discounting. The inventory turnover days were 120 days for the year ended 31 December 2016.

Management Discussion and Analysis

PRINCIPAL RISKS AND UNCERTAINTIES

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 23 January 2017, the Company issued senior notes due 21 June 2021 with an aggregate principal amount of US$200,000,000. The senior notes bear interest from and including 21 December 2016 at a rate of 7.25% per annum, payable semi-annually in arrears. The senior notes are listed on the Singapore Exchange Securities Trading Limited.

The gross proceeds of the senior notes were approximately US$209,000,000. The net proceeds from the issue of the senior notes have been used, together with the Group's cash on hand, to fund the acquisition of the remaining 17% minority interest in Swisse via the acquisition of the same percentage equity interest in Biostime Healthy Australia Holdings Pty Ltd (Biostime Australia Holdings) (the "17% Acquisition").

On 7 February 2017, the Group completed the 17% Acquisition. As a result, Biostime Australia Holdings became a wholly-owned subsidiary of the Company.

On 20 February 2017, the Company, at the option of the bondholders, redeemed the remaining part of the bondholders' convertible bonds, at cash consideration of HK$1,400,968,000 (equivalent to approximately RMB1,240,879,000).

ADDITIONAL DISCLOSURES

Compliance with Laws and Regulations

The Group recognizes the importance of compliance with regulatory requirements and has instituted guidelines to staff on compliance with laws and regulations. The Group's business has extended to select countries in Europe, Asia, Australia and North America and our operations accordingly shall comply with the relevant laws and regulations in these jurisdictions. During the year ended 31 December 2016 and up to the date of this report, the Group has complied with all the relevant laws and regulations in the jurisdictions where it operated.

Environmental Policies

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

In accordance with Rule 13.91 of the Listing Rules, the Company will publish an Environmental, Social and Governance ("ESG") Report within three months after the publication of this annual report in compliance with the provisions set out in the ESG Reporting Guide in Appendix 27 to the Listing Rules.

Relationship with Employees

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

Management Discussion and Analysis

ADDITIONAL DISCLOSURES (Continued)

Relationship with Customers

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

Relationship with Suppliers

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

Corporate Governance Report

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

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

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

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). Throughout the year ended 31 December 2016, the Company has complied with all the code provisions as set out in the CG Code, save and except for code provisions A.2.1 and C.1.2, details of which are explained below.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and all the Directors have confirmed that they have complied with the Company Code and the Model Code throughout the year ended 31 December 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 year ended 31 December 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.

Corporate Governance Report

THE BOARD

Responsibilities

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the best interests of the Company. All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The Board has delegated to the senior management the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

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

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises eight members, consisting of an executive Director, four non-executive Directors and three independent non-executive Directors. The Board has also established three Board committees, namely, the nomination committee (the "Nomination Committee"), the audit committee (the "Audit Committee") and the remuneration committee (the "Remuneration Committee"). Directors' biographical details are set out in the section headed "Biography of Directors and Senior Management" on pages 37 to 47 of this Annual Report. The Board currently comprises the following members:

Executive Director:

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

Non-executive Directors:

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

Independent non-executive Directors:

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

THE BOARD (Continued)

Board Composition (Continued)

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

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

Delegation by the Board

During the year ended 31 December 2016, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

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

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

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

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

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

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

Corporate Governance Report

THE BOARD (Continued)

Chairman and Chief Executive Officer

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

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

Joint Company Secretaries

The joint company secretaries of the Company are Ms. Wong Tak Yee of Tricor Services Limited, an external service provider, and Ms. Yang Wenyun who is also the primary contact person of the Company. Details of the biographies of the joint company secretaries are set out in the section headed "Biography of Directors and Senior Management" on pages 37 to 47 of the Annual Report.

Each of the joint company secretaries has undertaken sufficient hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules during the year ended 31 December 2016.

Board Practices of Meetings

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

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

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

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

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

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

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

THE BOARD (Continued)

Board Practices of Meetings (Continued)

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

During the year ended 31 December 2016, the Board held 12 meetings. During the meetings of the Board held in 2016, the Board reviewed the operation and financial performance and reviewed and approved the annual results for the year ended 31 December 2015 and the interim results for the six months ended 30 June 2016.

Directors Attendances at Various Board and Board Committee Meetings and General Meetings during the Year Ended 31 December 2016

Name of Director	Board Meetings	Audit Committee Meetings	Nomination Committee Meeting	Remuneration Committee Meeting	Annual General Meeting	Extraordinary General Meeting
Executive Directors						
Mr. Luo Fei *(Note 1)*	12/12	N/A	1/1	1/1	1/1	1/1
Mr. Radek Sali *(Note 5)*	10/12	N/A	N/A	N/A	1/1	1/1
Ms. Kong Qingjuan *(Note 4)*	N/A	N/A	N/A	N/A	N/A	N/A
Non-executive Directors						
Dr. Zhang Wenhui	12/12	N/A	N/A	N/A	1/1	1/1
Mr. Wu Xiong	12/12	N/A	N/A	N/A	1/1	1/1
Mr. Luo Yun	12/12	2/2	N/A	N/A	1/1	1/1
Mr. Chen Fufang	12/12	N/A	N/A	N/A	1/1	1/1
Independent non-executive Directors						
Dr. Ngai Wai Fung *(Note 2)*	12/12	2/2	1/1	1/1	1/1	1/1
Mr. Tan Wee Seng *(Note 3)*	12/12	2/2	1/1	1/1	1/1	1/1
Professor Xiao Baichun	12/12	N/A	N/A	N/A	1/1	1/1
Date of Meeting *(DD/MM/YYYY)*	18/03/2016 29/03/2016 03/05/2016 12/05/2016 23/08/2016 08/09/2016 30/09/2016 19/10/2016 03/11/2016 02/12/2016 15/12/2016 23/12/2016	28/03/2016 22/08/2016	29/03/2016	02/11/2016	13/05/2016	13/09/2016

Notes:

1: Chairman of the Board and the Nomination Committee
2: Chairman of the Audit Committee
3: Chairman of the Remuneration Committee
4: Ms. Kong Qingjuan resigned as executive Director of the Company on 21 January 2016
5: Mr. Radek Sali was appointed as an executive Director of the Company on 21 January 2016 and resigned as an executive Director of the Company on 31 December 2016.

Corporate Governance Report

THE BOARD (Continued)

Directors Attendances at Various Board and Board Committee Meetings and General Meetings during the Year Ended 31 December 2016 (Continued)

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

In addition to the above-mentioned Board meetings, the Chairman of the Board held a meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the year ended 31 December 2016.

Independence of Independent Non-executive Directors

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

In order to better encourage the independent non-executive Directors to exert their professional knowledge and expertise for the Company, each of them was granted share options by the Company on 16 December 2011 under the Share Option Scheme adopted by the Company. Details of such grant of share options are set out on page 55 of this Annual Report.

Term of Appointment of Non-executive Directors

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

Appointment, Re-election and Removal of Directors

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

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

Each of the Directors of the Company has entered into a service contract or a letter of appointment with the Company for a specific term. Such term is subject to his re-election at an AGM upon retirement pursuant to relevant articles of the Articles of Association.

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

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

THE BOARD (Continued)

Remuneration of Directors and Senior Management

The Company has established a formal and transparent procedure for formulating policies on remuneration of senior management of the Group.

The remuneration of each of members of the senior management of the Group by band for the year ended 31 December 2016 is set out below:

Remuneration Bands	Number of Persons
HK$100,001 to HK$4,000,000	5
HK$4,000,001 to HK$5,000,000	5
HK$5,000,001 to HK$7,000,000	2
HK$7,000,001 to HK$8,000,000	2
HK$8,000,001 to HK$10,000,000	1

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

Continuous Professional Development

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

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

Corporate Governance Report

THE BOARD (Continued)

Continuous Professional Development (Continued)

During the year ended 31 December 2016, the Directors participated in the following trainings:

Directors	Type of Training Note
Executive Directors	
Mr. Luo Fei	B
Mr. Radek Sali *(appointed on 21 January 2016 and resigned on 31 December 2016)*	B
Ms. Kong Qingjuan *(resigned on 21 January 2016)*	B
Non-executive Directors	
Dr. Zhang Wenhui	B
Mr. Wu Xiong	B
Mr. Luo Yun	B
Mr. Chen Fufang	B
Independent non-executive Directors	
Dr. Ngai Wai Fung	A, B
Mr. Tan Wee Seng	A, B
Professor Xiao Baichun	B

Note:

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops relating to directors' duties and responsibilities/corporate governance/updates on Listing Rules amendments etc.

B: Reading relevant news alerts, newspapers, journals, magazines, updates and relevant publications relating to the economy/general business/directors' duties and responsibilities etc.

Corporate Governance Function

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

During the year ended 31 December 2016, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Company Code, Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and relevant disclosure in this Corporate Governance Report.

Under code provision C.1.2 of the CG Code, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position, and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. During the year ended 31 December 2016, as the Board had held 8 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 BOARD (Continued)

Directors' Responsibilities for Financial Reporting in respect of Financial Statements

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2016. The Directors' responsibilities for preparing the financial statements of the Company for the year ended 31 December 2016 are set out in the Directors' Report on page 81 of the Annual Report.

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

Liability Insurance for Directors

The Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities since August 2011, which is reviewed and renewed on an annual basis. The insurance coverage was lately renewed on 18 August 2016.

NOMINATION COMMITTEE

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

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment, re-appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

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

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

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

Corporate Governance Report

NOMINATION COMMITTEE (Continued)

The Nomination Committee held a meeting during the year ended 31 December 2016 to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and make recommendations to the Board on the re-election of Directors and the attendance records are set out in the section headed "Directors Attendances at Various Board and Board Committee Meetings and General Meetings during the Year Ended 31 December 2016" above. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained.

In accordance with Articles 84(1) and 84(2) of the Company's Articles of Association, Mr. Wu Xiong, the non-executive Director, Dr. Ngai Wai Fung and Mr. Tan Wee Seng, the independent non-executive Directors, shall retire from office by rotation at the forthcoming AGM to be held on 12 May 2017. All the above Directors, being eligible, will offer themselves for re-election at the forthcoming AGM.

The Company's circular dated 7 April 2017 contains detailed information of the Directors standing for re-election.

AUDIT COMMITTEE

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

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

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee include the following:

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

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

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

- To review the arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

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

AUDIT COMMITTEE (Continued)

The Audit Committee has reviewed the Company's interim results for the six months ended 30 June 2016 and the annual results for the year ended 31 December 2016, the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016 and the Annual Report for the year ended 31 December 2016, the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management systems and processes, scope of work and the re-appointment of the external auditors, connected transactions and arrangement for employees to raise concerns about possible improprieties. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditors.

The Audit Committee held two meetings during the year ended 31 December 2016 and the attendance records are set out in the section headed "Directors Attendances at Various Board and Board Committee Meetings and General Meetings during the Year Ended 31 December 2016" above.

The Audit Committee also met the external auditors twice without the presence of the executive Directors in the year of 2016.

External Auditors and Auditors' Remuneration

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements of the Company is set out in the Independent Auditors' Report on pages 82 to 88 of the Annual Report.

Non-audit services by the external auditors are subject to the Audit Committee's approval and may be engaged only if they are more effective or economical than those available from other service providers and will not constitute adverse impact on the independence of the external auditors. In 2016, the external auditors provided non-audit services mainly in tax compliance and advisory services, financial and tax due diligence services, financial service on bond issuance and assurance service on circulars.

The Audit Committee has reviewed the independence and objectivity of the external auditors in 2016 and has been satisfied with the findings. The Audit Committee has recommended to the Board the re-appointment of Ernst & Young as the Company's external auditors at the forthcoming AGM.

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

Type of Services	**RMB'000**
Annual audit services	5,832
Non-audit services	
– Tax compliance and advisory services	159
– Financial and tax due diligence services	2,304
– Financial service on bond issuance	3,900
– Assurance service on circulars	3,416
Total	15,611

REMUNERATION COMMITTEE

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

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure for all Directors' and senior management's remuneration, and remuneration packages of the individual executive Directors and the senior management. The Remuneration Committee is also responsible for establishing a formal and transparent procedure for developing such remuneration policy and structure to ensure that no Director or any of his associates (as defined in the Listing Rules) will be involved in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

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

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

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

The Remuneration Committee held a meeting during the year ended 31 December 2016 and the attendance records are set out in the section headed "Directors Attendances at Various Board and Board Committee Meetings and General Meetings during the Year Ended 31 December 2016" above.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology.

The Company's risk management and internal control systems have been developed with the following principles, features and processes: inherent and potential risks identification, risks assessment, risks management, risks monitoring and reporting, including communicating with the Audit Committee and the senior management.

The Group conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by the subsidiaries.

The Risk Management and Internal Audit Department, in coordination with division heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the significant risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2016.

The Internal Audit Department is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee and senior management.

Information technology ("IT") has played a key role in the company's business operation. The Internal Audit Department of the Group has regarded IT as a crucial way of its group-wide activities since 2013. The Internal Audit Department has implemented an information security management system based on International Information Security standards, covering a wide range of the Group's products, services and operations from January 2013. During the year under review, the Group maintained the information security management system and strives to strengthen the system efforts on planning IT governance, monitoring IT governance initiatives, helping make IT governance business in order, protecting the safe storage, processing and analyzing sensitive data to ensure the environment safe and reliable.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2016, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

During the year ended 31 December 2016, the Company participated at 18 investors' conferences and roadshows and more than 475 individual meetings with analysts, institutional investors and fund managers. The investors' conferences and roadshows attended by the Company during the year are summarized as follows:

Date	Event	Organizer	Location
January 2016	DBAccess China Conference	Deutsche Bank	Beijing
March 2016	Hong Kong Roadshow	Citi	Hong Kong
April 2016	Guotai Junan Investor Conference	Guotai Junan Securities	Chongqing
April 2016	BOCOM Shanghai Roadshow	BOCOM	Shanghai
April 2016	Shenwan Hongyuan Investor Conference	Shenwan Hongyuan Securities	Hong Kong
April 2016	Europe Roadshow	BNP Paribas	London
April 2016	Shenzhen Roadshow	China Merchants Securities	Shenzhen
May 2016	Singapore Roadshow	CICC	Singapore
May 2016	DBAccess Asia Conference	Deutsche Bank	Singapore
June 2016	Bond Roadshow	Goldman Sachs	Hong Kong, Singapore

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS (Continued)

Date	Event	Organizer	Location
June 2016	Industrial Securities Investor Conference	Industrial Securities	Shanghai
August 2016	Hong Kong Roadshow	Citi	Hong Kong
October 2016	Jefferies Annual Greater China Summit	Jefferies	Hong Kong
October 2016	Macquarie China Conference	Macquarie	London
November 2016	Morgan Stanley Annual Asia Pacific Summit	Morgan Stanley	Singapore
November 2016	Nomura Asian High Yield Corporate Day	Nomura	Hong Kong
November 2016	Citi China Investor Conference	Citi	Macau
December 2016	Shenzhen Roadshow	Industrial Securities	Shenzhen

The last shareholders' meeting was the Extraordinary General Meeting held on 17 January 2017 at 29/F., Guangzhou International Finance Center, 5 Zhujiang West Road, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, PRC for approval of the very substantial acquisition in relation to the acquisition of the remaining approximately 17% equity interest in Biostime Healthy Australia Holdings Pty Ltd. Particulars of the above acquisition considered at the meeting are set out in the circular dated 30 December 2016. The proposed ordinary resolution was passed by way of poll at the meeting.

The forthcoming AGM will be held on 12 May 2017. The notice of AGM will be sent to shareholders at least 20 clear business days before the AGM.

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

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

Corporate Governance Report

SHAREHOLDER RIGHTS

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

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

Procedures by which enquiries may be put to the Board

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

Biography of Directors and Senior Management

EXECUTIVE DIRECTOR

Mr. Luo Fei (羅飛), aged 53, is an executive Director and Chief Executive Officer of the Company. Mr. Luo was appointed as an executive Director on 30 April 2010, and is also a director of the Company's subsidiaries Biostime International Investment Limited ("Biostime Investment"), Biostime Hong Kong Limited ("Biostime Hong Kong"), Parenting Power International Holdings Limited ("Parenting Power Holdings"), Parenting Power Investment Limited ("Parenting Power Investment"), Parenting Power Hong Kong Limited ("Parenting Power Hong Kong"), Mama100 International Holdings Limited ("Mama100 Holdings"), Mama100 International Investment Limited ("Mama100 Investment"), Mama100 Hong Kong Limited ("Mama100 Hong Kong"), BiosTime, Inc. (Guangzhou) ("Biostime Guangzhou"), BMcare Baby Products Inc. (Guangzhou) ("BMcare Guangzhou"), Biostime (Guangzhou) Education Management Inc. ("Biostime Education"), Guangzhou Hapai Information Technology Co., Ltd. ("Guangzhou Hapai") and Adimil (Changsha) Nutrition Products Limited ("Changsha Adimil"). Mr. Luo was appointed as a director of the Company's indirectly wholly-owned subsidiaries, namely, Biostime Healthy Australia Pty Ltd, Biostime Healthy Australia Holdings Pty Ltd, Biostime Healthy Australia Investment Pty Ltd, Swisse Wellness Group Pty Ltd, SWG Holdco Pty Ltd, S W International Pty Ltd, Swisse Wellness Pty Ltd. in September 2015, Swisse China Limited on 16 December 2015, Swisse Wellness (Guangzhou) Limited ("Swisse Guangzhou") on 15 April 2016. Mr. Luo is also a director of Guangzhou Mama100 E-commerce Co., Limited (廣州市媽媽一百電子商務有限公司) ("Mama100 E-commerce"), a company controlled by the Group through a series of structure contracts. He is also the supervisor of the Company's subsidiary Biostime (Guangzhou) Health Products Limited ("Biostime Health"). Mr. Luo is also a director of the Company's substantial shareholder Biostime Pharmaceuticals (China) Limited ("Biostime Pharmaceuticals") with discloseable interests in the shares of the Company under the Provisions of Divisions 2 & 3 of Part XV of the Securities and Futures Ordinance (the "SFO"). For further details, please refer to page 64 of this Annual Report. Mr. Luo is primarily responsible for the Company's overall strategies, planning and business development. Mr. Luo has approximately 20 years of experience in the biotechnology industry. From June 1989 to October 1990, Mr. Luo was employed by Kanghai Enterprise Development Company of Guangzhou Economic and Technological Development Zone (廣州經濟技術開發區康海企業發展公司) as an assistant engineer. In February 1993, Mr. Luo established Guangzhou Baixing Bioengineering Co., Ltd. (廣州百星生物工程有限公司) and acted as its legal representative and general manager. In December 1994, Mr. Luo established Guangzhou Biohope Co., Ltd. ("Guangzhou Biohope"), a company engaged in the import and distribution of raw materials for personal care products and household cleaning products, and acted as Guangzhou Biohope's legal representative from December 1994 to June 2010, and has been a director of Guangzhou Biohope since December 1994. In August 1999, Mr. Luo established Biostime Guangzhou and has served as its general manager since then. Mr. Luo is also the vice-chairman of the Mommy Baby Products Association of Guangdong Province (廣東孕嬰童用品協會) and chairman of the management committee of the Biostime China Foundation for Mothers and Children. Mr. Luo received a bachelor's degree in microbiological engineering in July 1985 and a master's degree in industrial fermentation in June 1988 from South China University of Technology (華南理工大學), formerly known as South China Institute of Technology (華南工學院). Mr. Luo has also completed the China Europe International Business School (中歐國際工商學院) EMBA program and was awarded a master's degree in business administration in September 2008.

Biography of Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Dr. Zhang Wenhui (張文會), aged 52, is a non-executive Director of the Company. Dr. Zhang was re-designated to a non-executive Director on 25 June 2012. Dr. Zhang was previously an executive Director of the Company from 12 May 2010 to 24 June 2012. Dr. Zhang is also a director of the Company's substantial shareholder Biostime Pharmaceuticals with discloseable interests in the shares of the Company under the Provisions of Divisions 2 & 3 of Part XV of the SFO. For further details, please refer to page 64 of this Annual Report. Dr. Zhang has also been an independent director of Stoltze Specialty Processing, LLC in the United States since September 2012. Dr. Zhang has almost 18 years of experience in the biotechnology industry, through teaching in universities and working for several biotechnology companies. Dr. Zhang was a lecturer of bioengineering at South China University of Technology (華南理工大學) from August 1994 to August 1996. From December 2000 to August 2003, Dr. Zhang was employed as an assistant research professor in the department of chemical engineering in University of Nebraska-Lincoln (內布拉斯加大學林肯分校) in the United States. After that, Dr. Zhang was employed as a scientist in the process development department of Xoma (US) LLC in the United States from September 2003 to September 2005. Dr. Zhang joined the Group in October 2005 as the chief technology officer of Biostime Guangzhou and became a general manager of the technology center of Biostime Health in December 2010, where he was primarily responsible for the research and development, product quality control and technology support, and held this position until 24 June 2012. Dr. Zhang was also the chief technology officer and head of the Quality Assurance Department of the Company until 24 June 2012 and a director of the Company's subsidiaries Biostime Guangzhou, Biostime Health and BMcare Guangzhou until 2 September 2012. Dr. Zhang received a bachelor's degree in biochemical engineering from East China University of Science and Technology (華東理工大學), formerly known as East China College of Chemical Engineering (華東化工學院), in July 1985, and a master's degree in industry fermentation and a doctorate in fermentation engineering from South China University of Technology (華南理工大學) in July 1988 and September 1994, respectively. In September 1997, Dr. Zhang completed an international post graduate university course in microbiology at Osaka University (大阪大學). Dr. Zhang conducted research as a post-doctoral scientist in the department of food science and technology in the University of Nebraska-Lincoln (內布拉斯加大學林肯分校) in the United States from October 1997 to November 2000.

Mr. Wu Xiong (吳雄), aged 61, is a non-executive Director of the Company. Mr. Wu was appointed as a non-executive Director on 12 May 2010, and is also a director of the Mama100 E-commerce. Mr. Wu is also a director of the Company's substantial shareholder Biostime Pharmaceuticals with discloseable interests in the shares of the Company under the Provisions of Divisions 2 & 3 of Part XV of the SFO. For further details, please refer to page 64 of this Annual Report. Mr. Wu has been the legal representative and general manager of Hainan Fangsheng Industry Development Co., Ltd. (海南方盛實業發展有限公司) since December 2009 and is responsible for the overall management of its business operation. Mr. Wu worked in the Administration for Industry and Commerce of Haikou City (海口市工商行政管理局) between December 1980 and December 1997. From December 1997 to December 2000, Mr. Wu was employed by Haikou Market Properties Development Co., Ltd. (海口市市場物業發展有限公司). From December 2000 to December 2009, Mr. Wu was the legal representative and general manager of Hainan Junjie Automobile Sale Co., Ltd. (海南駿捷汽車銷售有限公司) and was responsible for its overall business operations. Mr. Wu was a director of the Company's subsidiaries Biostime Guangzhou, Biostime Health and BMcare Guangzhou until 2 September 2012. Mr. Wu graduated from Haikou No.1 Middle School (海口市第一中學) in July 1975.

Biography of Directors and Senior Management

NON-EXECUTIVE DIRECTORS (Continued)

Mr. Luo Yun (羅雲), aged 56, is a non-executive Director of the Company. Mr. Luo was appointed as a non-executive Director on 12 May 2010, and is also a director of the Company's subsidiaries Biostime Guangzhou, Biostime Health, BMcare Guangzhou, Biostime Education, Biostime Investment, Biostime Hong Kong, Parenting Power Holdings, Parenting Power Investment, Parenting Power Hong Kong, Mama100 Holdings, Mama100 Investment, Mama100 Hong Kong and Guangzhou Hapai. Mr. Luo is also a director of the Company's substantial shareholder Biostime Pharmaceuticals with discloseable interests in the shares of the Company under the Provisions of Divisions 2 & 3 of Part XV of the SFO. For further details, please refer to page 64 of this Annual Report. From 1980 to 1993, Mr. Luo was employed by Haikou Qiongshan Medical Co., Ltd. (海口瓊山醫藥公司). Mr. Luo was employed as a sales manager for Guangzhou Biohope from December 1994 to August 1999. From August 1999 to September 2009, Mr. Luo held various positions in Biostime Guangzhou including the sales director and the director in charge of the Mama100 membership center. From September 2009 to December 2011, Mr. Luo was the general manager and director of a company formerly known as Biostime Health and Nutrition (Guangzhou) Limited (now known as Leseil Health and Nutrition (Guangzhou) Limited), where he was responsible for the overall strategies and business development. Mr. Luo graduated from Continuing Education School of Jinan University (暨南大學成人教育學院) in July 1987 with a certificate of graduation in business and economic management. Mr. Luo has also completed the EMBA course at Fudan University (復旦大學) in Shanghai and was awarded an EMBA degree in July 2012. Mr. Luo is the elder brother of Mr. Luo Fei, the Chairman of the Board and one of the Company's executive Directors.

Mr. Chen Fufang (陳富芳), aged 53, is a non-executive Director of the Company. Mr. Chen was appointed as a non-executive Director on 12 May 2010, and is also a director of the Company's subsidiaries Biostime Guangzhou, Biostime Health, BMcare Guangzhou, Biostime Education, Biostime Investment, Biostime Hong Kong, Parenting Power Holdings, Parenting Power Investment, Parenting Power Hong Kong, Mama100 Holdings, Mama100 Investment, Mama100 Hong Kong, Guangzhou Hapai and Mama100 E-commerce. Mr. Chen is also a director of the Company's substantial shareholder Biostime Pharmaceuticals with discloseable interests in the shares of the Company under the Provisions of Divisions 2 & 3 of Part XV of the SFO. For further details, please refer to page 64 of this Annual Report. Mr. Chen has been a director and the general manager of Guangzhou Biohope since March 1999, and its legal representative since June 2010, where he oversees overall business operations and management. Prior to that, Mr. Chen worked for Guangdong Textile Industry Group Company (廣東省紡織工業總公司), a company engaged in the import and export of textile products and apparels, from 1988 to 1997, where he was recognized as chemical fiber assistant engineer (化纖助理工程師) and chemical fiber engineer (化纖工程師) in March 1988 and November 1992, respectively. Mr. Chen graduated from South China University of Technology (華南理工大學), formerly known as South China Institute of Technology (華南工學院), with a bachelor's degree in chemical fiber in July 1985 and a master's degree in chemical fiber in June 1988.

Biography of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Ngai Wai Fung (魏偉峰), aged 55, is an independent non-executive Director of the Company. Dr. Ngai was appointed as an independent non-executive Director on 12 July 2010 and is the chairman of the Audit Committee of the Company. Dr. Ngai is the managing director of MNCOR Consulting Limited and the chief executive officer of SW Corporate Services Group Limited, a specialty company secretarial corporate governance and compliance services provider to companies in pre-IPO and post-IPO stages. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider. He has over 20 years of senior management experience including acting as the executive director, chief financial officer and company secretary, most of which are in the areas of finance, accounting, internal control and regulatory compliance, corporate governance and secretarial work for listed issuers including major red chips companies. He had led or participated in a number of significant corporate finance projects including listings, mergers and acquisitions as well as issuance of debt securities. Dr. Ngai is the Past President of the Hong Kong Institute of Chartered Secretaries (the "HKICS") and the Adjunct Professor of Law of Hong Kong Shue Yan University. Dr. Ngai was an independent non-executive director of China Railway Construction Corporation Limited from November 2007 to October 2014 and independent director of Sany Heavy Equipment International Holdings Company Limited from November 2009 to December 2015. In addition, Dr. Ngai is currently an independent non-executive director or independent director of the below companies:

Company Name (English)	Company Name (Chinese)	Name of Stock Exchange	Stock Code	Appointment Date
BaWang International (Group) Holding Limited	霸王國際(集團)控股有限公司	Main Board	1338	December 2008
Bosideng International Holdings Limited	波司登國際控股有限公司	Main Board	3998	September 2007
China Coal Energy Company Limited	中國中煤能源股份有限公司	Main Board	1898	December 2010
Beijing Capital Juda Limited	首創鉅大有限公司	Main Board	1329	December 2013
LDK Solar Co., Ltd.	不適用	Listed on OTC Pink Limited Information	LDKYQ	July 2011
Powerlong Real Estate Holdings Limited	寶龍地產控股有限公司	Main Board	1238	June 2008
SITC International Holdings Company Limited	海豐國際控股有限公司	Main Board	1308	September 2010
China Railway Group Limited	中國中鐵股份有限公司	Main Board	390	June 2014
Yangtze Optical Fibre and Cabe Joint Stock Limited Company	長飛光纖光纜股份有限公司	Main Board	6869	September 2014
BBMG Corporation	北京金隅股份有限公司	Main Board	2009	November 2015
TravelSky Technology Limited	中國民航信息網絡股份有限公司	Main Board	696	January 2016
China HKBridge Holdings Limited(Note)	中國港橋控股有限公司	Main Board	2323	March 2016
SPI Energy Co., Ltd	不適用	Listed on Nasdaq	SPI	May 2016

Biography of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Note: The English name of the company has been changed from "Topsearch International (Holdings) Limited" to "China HKBridge Holdings Limited" and the Chinese name "中國港橋控股有限公司" has been adopted as the secondary name of the Company to replace its existing name in Chinese "至卓國際(控股)有限公司", which had been used for identification purpose only, with effect from 25 January 2017.

Dr. Ngai is a fellow of the Association of Chartered Certified Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Institute of Chartered Secretaries and Administrators, a fellow of the HKICS, a fellow of Hong Kong Institute of Directors and a member of Hong Kong Securities and Investment Institute. Dr. Ngai obtained a doctorate in Economics (Finance) at Shanghai University of Finance and Economics (上海財經大學) in 2011, a master's degree in corporate finance at Hong Kong Polytechnic University in 2002, a master's degree in business administration at Andrews University of Michigan in 1992 and a bachelor's degree in Law at University of Wolverhampton in 1994. Dr. Ngai was appointed by the Chief Executive of The Hong Kong Special Administrative Region as a member of Working Group on Professional Services under the Economic Development Commission in 2013 and re-appointed for further two years in 2017, a member of Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants, a member of the General Committee of the Chamber of Hong Kong Listed Companies and has been appointed as a Finance Expert Consultant by the Ministry of Finance of the PRC in 2016.

Dr. Ngai has extensive experience in accounting and financing as well as in corporate governance, which is relevant to the Company in matters relating to corporate governance practices such as internal control and internal audit.

Mr. Tan Wee Seng (陳偉成), aged 61, is an independent non-executive Director of the Company. Mr. Tan was appointed as an independent non-executive Director on 12 July 2010 and is the chairman of the Company's Remuneration Committee. Mr. Tan is also an independent non-executive director of Xtep International Holdings Limited (Stock Code: 1368), an independent non-executive director and chairman of the audit committee of Sa Sa International Holdings Limited (Stock Code: 178), an independent non-executive director and chairman of the audit committee of CIFI Holdings (Group) Company Limited (Stock Code: 884), an independent non-executive director and chairman of the audit committee of Sinopharm Group Company Limited (Stock Code: 1099), the shares of all of which are listed on the Main Board of the Stock Exchange. In addition, Mr. Tan is an independent director and, with effect from 8 March 2016, chairman of the audit committee of Renesola Ltd (Stock Code: SOL), the shares of which are listed on the NYSE. Mr. Tan is also a board member of Beijing City International School, an academic institution in Beijing. From November 2016, he ceased to be chairman of the finance committee of Beijing City International School. Mr. Tan has been appointed as an independent director and chairman of the audit committee of 7 Days Group Holdings Limited listed on the NYSE between November 2009 and July 2013 until it was privatized. He was the chairman of the special committee for the privatization of 7 Days Group Holdings Limited from October 2012 to July 2013. Mr. Tan has over 30 years of financial management, corporate finance, merger and acquisition, business management and strategy development experience. Mr. Tan has held various management and senior management positions in a number of multi-national corporations. Mr. Tan was previously the managing director of AFE Computer Services Limited, a Reuters subsidiary located in Hong Kong which was mainly engaged in domestic equity and financial information services; director of Infocast Pty Limited, a Reuters subsidiary in Australia; and the regional finance manager of Reuters East Asia. From 1999 to 2002, Mr. Tan was the senior vice president of Reuters for China, Mongolia and North Korea regions, and the chief representative of Reuters in China. From 2003 to 2008, Mr. Tan was an executive director, chief financial officer and company secretary of Li Ning Company Limited, the shares of which are listed on the Main Board of the Stock Exchange. Mr. Tan is a professional accountant and a fellow member of the Chartered Institute of Management Accountants in United Kingdom, and the Hong Kong Institute of Directors.

Biography of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS (Continued)

Professor Xiao Baichun (蕭柏春), aged 69, is an independent non-executive Director of the Company. Professor Xiao was appointed as an independent non-executive Director on 12 July 2010. Professor Xiao is a professional and scholar in management science. Professor Xiao has strong academic background and extensive experience in business management, which is relevant to the business operations of the Company in matters relating to corporate governance practices. From September 1990, he was with Seton Hall University as an assistant professor and was promoted to associate professor with tenure in April 1994 and to professor in March 1999. He was also the chairman of computing and decision sciences department of Seton Hall University from 1995 to 1997. Since September 1998, he has been with Long Island University pursuing his teaching career and is now a senior professor. He has also been the chairman of the department of management of Long Island University since 2003. Professor Xiao was appointed by various universities in China as either a chair professor or a visiting professor. For example, he has been a faculty member of Peking University (北京大學) since 2004, a visiting professor of Chinese University of Hong Kong (香港中文大學) since 2004, a guest professor and a director of Chinese American Center for service and operation management in Southwest Jiaotong University (西南交通大學) from 2004 to 2010, a distinguished professor of EMBA program in Fudan University (復旦大學) since 2005 and a lifetime professor of the management school of Sichuan University (四川大學) since May 2000. As a testament to his achievement, Professor Xiao received various awards in his research area. He received "University Fellowship" from Wharton School, University of Pennsylvania in 1986 and 1987 and "Outstanding Scholarship Award" from Seton Hall University in 1998 and 1999. He also received from College of Management of Long Island University "Outstanding Scholarship Award" in 2006, and "Teaching Excellence Award" from Peking University (北京大學) in 2012. Professor Xiao was named as Fulbright Senior Scholar by US Fulbright Foundation in 2012. Professor Xiao currently serves as a member of the board of directors of Nanjing University (南京大學). Professor Xiao received a bachelor's degree in mathematics from Nanjing University (南京大學) in July 1982, a MBA degree from Catholic University of Leuven, Belgium in March 1985, and his Ph.D. from Wharton School, University of Pennsylvania in December 1990.

SENIOR MANAGEMENT

Ms. Kong Qingjuan (孔慶娟), aged 55, is the Chief Operating Officer of the Company. Ms. Kong was an executive Director from May 2010 to January 2016. She is also the director and general manager of the Company's subsidiaries Biostime Health and Changsha Adimil, and a supervisor of the Company's subsidiaries Biostime Guangzhou, BMcare Guangzhou, Biostime Education, Guangzhou Hapai and Mama100 E-commerce. Ms. Kong has approximately 18 years of experience in the biotechnology industry and is mainly responsible for the overall procurement, logistics, production, as well as internal compliance and control. Ms. Kong joined the Group in July 2000 and was appointed as a director of Biostime Guangzhou from December 2002 to December 2010, and she was the chief operating officer of Biostime Guangzhou from January 2006 to December 2010. Prior to joining the Group, Ms. Kong worked for Hospital of Traditional Chinese Medicine of Hebei Province (河北省中醫院) from January 1983 to July 1995. From August 1995 to February 2000, Ms. Kong was employed by Dalian Sanzhu Bio-Cosmetic Co., Ltd. (大連三株生態化妝品有限公司). Ms. Kong graduated from Hebei Medical University (河北醫科大學), formerly known as Hebei Medical Institute (河北醫學院), with a bachelor's degree in clinical medicine in July 1985.

Biography of Directors and Senior Management

SENIOR MANAGEMENT (Continued)

Mr. Wang Yidong (王亦東), aged 43, joined the Group in May 2016. Mr. Wang is the Chief Finance Officer of the Group and is in charge of the overall financial and accounting affairs as well as investor relations of the Group. He has nearly 20 years of experience in financial management, accounting and corporate finance. Prior to joining the Group, Mr. Wang was Corporate Vice President and Asia Pacific Chief Finance Officer of Henkel AG & Co. KGaA, a German consumer goods giant (''Henkel''), responsible for Henkel's financial management, business and operation controlling as well as M&A-related tasks in 14 countries of Asia Pacific. Before that, he worked at Henkel's headquarters in Germany as Global Director of Business Development and M&A for the adhesive business unit, and previously worked as Henkel's Greater China Chief Finance Officer and Asia Pacific Treasurer. Mr. Wang had also taken various financial management and banking roles with LG.Philips and JPMorgan Investment Bank in Hong Kong and New York. He began his career with China's Ministry of Commerce and participated in the negotiations for China's entry into the World Trade Organization. Mr. Wang was awarded "China CFO of the Year" in 2011 by the judging committee affiliated to China's Ministry of Finance and also awarded "Outstanding CFO of China" in 2016 by CFO Magazine. Mr. Wang holds a Master of Business Administration degree from New York University Stern School of Business and a Bachelor of Arts degree from China Foreign Affairs University. He is a member of the American Institute of Certified Public Accountants (the "AICPA") and a member of the Association of Chartered Certified Accountants (the "ACCA").

Mr. Zhu Dingping (朱定平), aged 41, joined the Group in February 2007 and has been the General Manager for the project department of Baby Nutrition and Care (the "BNC") of the Group since October 2015. Before that, Mr. Zhu was our senior sales director and was mainly responsible for the overall sales affairs. Prior to joining the Group, he had over 10 years of experience in the pharmaceutical industry mainly obtained from working for companies in this industry. He was with Guangdong Minglin Pharmaceutical Co., Ltd. (廣東明林藥業有限公司) as a regional sales manager from August 1996 to December 2006. Mr. Zhu received a certificate of graduation in pharmaceutical science from China Pharmaceutical University (中國藥科大學) in July 2006 for completing the adult higher education courses. He also participated in several advanced trainings so as to improve his professional skills. For instance, in September 2004, he attended the executive training program jointly held by the Asia-Pacific Institute of Business of the Chinese University of Hong Kong (香港中文大學亞太研究所) and Nin Jion Medicine Mfy (HK) Ltd. (香港京都念慈庵總廠有限公司). He had also completed the Business Administration training courses of Lingnan (University) College, Sun Yat-Sen University (中山大學嶺南(大學)學院) and received the certificate of completion in February 2003. He obtained a certificate of pharmacist (藥師資格證) by the Professional Titles Reform Work Leading Group of Guangdong Drug Administration (廣東省藥品監督管理局職稱改革領導小組) in March 2003. He has completed the China Europe International Business School (中歐國際工商學院) CMO training course and received the certificate of completion in July 2014. He had completed the EMBA courses of Management School, Jinan University (暨南大學管理學院) and obtained a master's degree in December 2015. He is currently serve for the enterprise institute of Jinan University, act as a part time researcher.

Dr. Patrice Malard, aged 63, joined the Group as our chief scientific officer and General Manager of Biostime Pharma (a subsidiary of the Company in France) in October 2010 and was appointed as the chief technology officer of the Company as well as the general manager of the technology center of Biostime Health in June 2012. He is responsible for research and development, product quality control and regulatory compliance. He was the scientific consultant of Biostime Guangzhou from 1 March 2008 to 30 September 2010. Dr. Patrice has approximately 30 years of experience in the nutrition products industry. From October 1981 to March 1990, he worked for Gist Brocades SA as a science director in the field of industrial enzymes. From April 1990 to June 1991, he was employed by CPIAA SA, an agro-consulting group, as a manager. From June 1991 to November 1994, he was the strategy and development director of the French subsidiary of Pioneer Hi-Bred in agro-seeds. He also has worked as a director of Silab Sarl in cosmetic ingredients and sales and Business development director of Lallemand SAS Human Nutrition division for the period from February 1995 to October 2007. From March 2008 till now, he is the owner of Kloarys Développement Sarl and acted as the general manager. He obtained his Ph.D. in molecular and cellular Biology from Lille University of Science and Technology in 1981.

Biography of Directors and Senior Management

SENIOR MANAGEMENT (Continued)

Ms. Laetitia Garnier (安玉婷), aged 36, joined the Group in July 2010. She is currently the General Manager of Group strategy and international business department of the Group since October 2015 and is mainly responsible for Group strategy, acquisitions and investments, group integration and management of group international operations and business development. Since October 2016, Laetitia also assumes the role of Managing Director of Swisse in China area. She is also the director of the Company's subsidiaries Biostime Healthy Australia Pty Ltd, Biostime Healthy Australia Holdings Pty Ltd, Biostime Healthy Australia Investments Pty Ltd, Swisse Wellness Group Pty Ltd, SWG Holdco Pty Ltd, S W International Pty Ltd, Swisse Wellness Pty Ltd and Swisse China Limited. From December 2003 to August 2010, she worked for French Trade Commission in South China and was mainly responsible for providing lobbying and support to French companies partnering, exporting and investing in China, especially in the field of consumer goods and health sectors. Prior to that, she also has interned with the United States Senate in Washington D.C. from January to June 2001, the Banque Populaire Group in Paris from July to September 2001 and the LVMH Group in Paris from September 2002 to March 2003. In July 2003, she obtained a master's degree in business administration and corporate strategy from Institute of Political Studies in Paris.

Mr. Liu Shifeng (劉世鋒), aged 38, has been appointed the general manager of the northern district of BNC business department of the Group since October 2015. He joined the Group in May 2004 as the supervisor in charge of Shaoxing office and was promoted to be the provincial manager of Hubei province in August 2005, manager of the Hubei and Henan provinces in August 2006, director of the Hubei and Henan provinces in July 2012, area director for Hubei province in 2013, and director of the brand project department of "ADIMIL" in January 2014. Mr. Liu studied in the Jinggangshan Medical College (井崗山醫學高等專科學校) majoring in clinical medicine from September 1997 to July 2000. After graduation, he was employed by the Guangzhou Division of Wangson Biotechnology Groups Inc. (美國華盛集團廣州分部) as an OTC supervisor from August 2000 to April 2001. Mr. Liu worked in Guangzhou Xiangxue Pharmaceutical Co., LTD. (廣州市香雪製藥) as an OTC supervisor in 2001 and was promoted to be a district supervisor in 2002. Mr. Liu has also enrolled in the EMBA courses of management school of Xiamen University (廈門大學) since September 2011. He has also completed general manager course of the China Europe International Business School (中歐國際工商學院) in December 2015.

Mr. Peng Jiahua (彭家華), aged 40, has been the general manager of the southern district of BNC business department of the Group since October 2015. He joined the Group in May 2003 as the supervisor in charge of Dongguan office and was promoted to be the provincial manager of Jiangxi province in September 2005, manager of the Hunan and Jiangxi provinces in March 2005, director of the Hunan, Jiangxi and Guangxi provinces in July 2012, area director for Hunan and Jiangxi province in 2013. Mr. Peng studied in the Jinggangshan Medical College (井崗山醫學高等專科學校) majoring in clinical medicine from September 1997 to July 2000. After graduation, he was employed by the Shantou office of Jiangxi Ban Bian Tian Pharmaceutical Co., LTD (江西半邊天藥業) as a terminal promotion representative from August 2000 to January 2001. Mr. Peng worked in Dongguan office of Huahong Pharmaceutical Co., LTD. (花紅藥業) as an OTC supervisor in March 2001. Mr. Peng has also enrolled in the EMBA courses of management school of Xiamen University (廈門大學) since September 2011.

Biography of Directors and Senior Management

SENIOR MANAGEMENT (Continued)

Mr. Hu Xiaocheng (胡曉成), aged 39, joined the Group in November 2004 and has been the director of the E-commerce business department of the Group since October 2015. Before that, Mr. Hu was our retail sales organization channel director. His experience is mainly in the sector of marketing and sales. He worked as a sales specialist for the Beijing sales branch of Jiangxi Tecom Science Co., Ltd. (江西特康科技有限公司) from 2000 to 2003, and was mainly responsible for selling products to hospital clients in north China. He joined us as the manager of our Shangrao sales office in Jiangxi Province. Due to his sound working performance, he was promoted to be our sales manager for Ningbo City in February 2005, regional sales manager for Shanghai in February 2006 and senior manager for sales administration in February 2007. Mr. Hu was appointed as our senior key accounts manager in May 2010 and promoted to be our retail sales organization channel director in September 2011 and by leveraging his experience in marketing and sales, he is now responsible for our sales channel of retail sales organizations. Mr. Hu received a junior college diploma in computer accounting from Jiangxi Radio and TV University (江西廣播電視大學) in July 1999. Mr. Hu obtained a junior college diploma in business management from University of International Business and Economics (對外經濟貿易大學) in January 2013. He has also enrolled in the EMBA courses of management school of Xiamen University (廈門大學) since September 2010.

Mr. Zhang Qizhang (張琦章), aged 33, joined the Group in June 2014. He has been appointed the director of integrated marketing center of the Group in April 2015. Before that, he was the director in charge of the marketing, Biostime Business Unit and assumed additional responsibility as Director of Corporate Innovation Marketing Center. Mr. Zhang obtained his bachelor's degree in public management in Renmin University of China (中國人民大學) in June 2007. After graduation, he was employed by Procter & Gamble (China) Co., Ltd. (寶潔(中國)有限公司) as a brand manager at the marketing department until May 2014.

Ms. Yang Wenyun (楊文筠), aged 33, joined the Group in August 2005 and has been appointed as one of the joint company secretaries of the Company since 12 July 2010. Ms. Yang works as the Director of the Listing Affairs and Risk Management Department, mainly in charge of overall listing affairs, legal affairs, administrative affairs and internal audit of the Group. She is also the supervisor of the Company's subsidiary Swisse Guangzhou. Ms. Yang started her professional career with the Group and has obtained substantial experience through corporate governance, risk management, administration, legal affairs, information security management, internal audit, public relations and human resources management over the past twelve years with the Group. From August 2005 to December 2008, she worked as an assistant of public affairs and was mainly responsible for the legal affairs and public relations of the Group. Concurrently, being an assistant to the general manager since November 2006, she was responsible for part of administrative affairs of the Group. From December 2008 to February 2010, she was promoted to be the legal manager of the Group and was responsible for the overall legal affairs and public relations. In February 2010, she assumed the responsibility of leading the risk control department. In January 2014, she was promoted from a senior manager to become the director of the department. From October 2015 to February 2017, Ms. Yang was temporarily responsible for human resources management as the director of Corporate Affairs and Human Resources Department. Ms. Yang obtained a bachelor's degree in law from Sun Yat-Sen University (中山大學) in June 2005.

Mr. Yang Jun (楊駿), aged 48, joined the Group in March 2017. Mr. Yang is the Human Resource Director of the Group and is in charge of all human resource affairs. Prior to joining the Group, Mr. Yang served as Regional HR Director in Asia Pacific of Caterpillar Inc. ("Caterpillar"), providing leadership to regional HR COE and shared services team to support business partners in 8 countries and regions. He participated in plenty of significant projects in Caterpillar such as people strategy development, Japan HR process integration and HR operations improvement, accumulating over 13 years experiences in global human resource integration and management. From July 1991 to November 1995, Mr. Yang was employed by Xuzhou Construction Machinery Group Co., Ltd (徐州工程機械集團有限公司). He spent 8 years in operation and engineering management area before entering into the field of HR overall in Caterpillar and Xuzhou Construction Machinery Group Co., Ltd. Mr. Yang holds an EMBA degree from China University of Mining and Technology (中國礦業大學) – Université du Québec à Montréal Joint MBA Program and a bachelor's degree in Chemicals from Anhui University (安徽大學).

Biography of Directors and Senior Management

SENIOR MANAGEMENT (Continued)

Mr. Oliver Horn, aged 45, is the Managing Director of Swisse since January 2017. Mr. Horn has 20 years of expertise in the FMCG, beauty care and luxury goods sectors, and is experienced in global marketing and regional business management. He is also the director of the Company's subsidiaries Biostime Healthy Australia Pty Ltd, Biostime Healthy Australia Holdings Pty Ltd, Biostime Healthy Australia Investments Pty Ltd, Swisse Wellness Group Pty Ltd, SWG Holdco Pty Ltd, S W International Pty Ltd, Swisse Wellness Pty Ltd, SW Production Holdings Pty Ltd, SW Translink Packaging Pty Ltd, SWG (US) Inc., Swisse Wellness Inc., Swisse Wellness Pty Ltd, Swisse Wellness GmbH and Swisse Wellness (UK) Limited. Before joining Swisse, Mr. Oliver Horn was the Integration Director at Treasury Wine Estates, where he successfully led the integration of the Diageo wine business into the EMEA business. Preceding this, he was GM for Central Europe, Middle East & Africa and Latin America. Prior to Treasury Wine Estates, Mr. Horn was the Group Brand Manager and Direct Marketing Manager of L'Oreal Paris (UK), and a Corporate Accounts Manager at Deutsche Bank (Germany). Mr. Horn holds a Bachelor of Business Administration (with Honours) from Arnhem Business School.

Ms. Elise Morris, aged 44, is the Director of People & Culture of Swisse since August 2016. She has over 25 years' experience in HR management and Organisational Development working in global and Australian based corporate and public sector organisations (including iSelect, SEEK, Kraft, Cadbury, and Pacific Brands). Ms. Morris holds a Master of Applied Positive Psychology from the University of Melbourne, a Master of Management, a Graduate degree in Psychology and a Bachelor degree in Business (Marketing).

Mr. Tom Coleman, aged 43, is the Chief Financial Officer of Swisse since March 2016. He has over 22 years' experience in financial management, accounting and corporate finance. Before joining Swisse, he served as the chief financial officer at Fusion Retail Brands, chief information and planning officer at Rip Curl International and the chief financial officer at Rip Curl Europe. He received a bachelor's degree in accounting from the University of South Australia and obtained his qualification as chartered accountant.

Mr. George Livery, aged 50, is the director of strategy and corporate development of Swisse since 2014 and was appointed company secretary of Swisse in 2016. He joined Swisse as a commercial director in 2011. He has over 20 years' experience as senior executive or director. Before joining Swisse, he served as the chief executive officer at Village Cinemas Australia. Mr. Livery is a fellow of Marketing Institute of Australia.

JOINT COMPANY SECRETARIES

Ms. Wong Tak Yee (黃德儀), is a director, Corporate Services of Tricor Services Limited ("Tricor"), a global professional services provider specializing in integrated business, corporate and investor services. Ms. Wong has over 25 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Wong is a Chartered Secretary and a Fellow of both the HKICS and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Wong is a holder of the Practitioner's Endorsement from the HKICS. (Note: The Company has engaged Tricor as external service provider and appointed Ms. Wong as the Company's joint company secretary and authorised representative since 12 July 2010.)

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

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

Biography of Directors and Senior Management

CHANGES IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors of the Company subsequent to the date of the 2016 Interim Report of the Company are set out below:

Name of Director	Details of Changes
Tan Wee Seng	Appointed as chairman of the audit committee of Sa Sa International Holdings Limited (Stock Code: 178), a company listed on the Main Board of the Stock Exchange, with effect from 1 January 2017.

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.

Directors' Report

The Board hereby presents its report and the audited financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company for intermediate holding companies and operating subsidiaries of the Group and is also engaged in acquisitions of businesses from time to time. The Group is engaged in providing high-end family nutrition and care products, striving to be a global leader in the areas of premium nutrition and wellness through superior products and aspirational brands. Details of the principal activities of the Company's subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2016 are set out in note 1 to the financial statements.

BUSINESS REVIEW

The business review of the Group as at 31 December 2016 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" from pages 7 to 12 and pages 13 to 20 of this Annual Report.

RESULTS AND DISTRIBUTION

The results of the Group for the year ended 31 December 2016 are set out in the consolidated financial statements on pages 89 to 96 of the Annual Report. No interim dividend or final dividend in respect of the six months ended 30 June 2016 and the year ended 31 December 2016 was declared.

CLOSURE OF REGISTER OF MEMBERS

Entitlement to attend and vote at the 2017 AGM

The forthcoming AGM will be held on Friday, 12 May 2017 (the "2017 AGM"). The register of members of the Company will be closed from Tuesday, 9 May 2017 to Friday, 12 May 2017, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the entitlement to attend and vote at the 2017 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 8 May 2017.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2016 are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Group during the year ended 31 December 2016 are set out in note 34 to the financial statements.

RESERVE

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2016 are set out in note 50 and note 37 respectively to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves, including the share premium account and contributed surplus and retained profits, available for distribution, calculated in accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"), amounted to approximately RMB5,400.0 million. Details of the reserves of the Company as at 31 December 2016 are set out in note 50 to the financial statements.

CHARITABLE DONATIONS

The Group's donation to charity includes the donation of RMB0.1 for each box or can of any of the Group's products sold to Biostime China Foundation for Mother and Child (the "BC Foundation") established by the Group in cooperation with the Chinese Red Cross Foundation since 2007. For each of the three years ended 31 December 2014, 2015 and 2016, the BC Foundation's donations to charity were RMB6.6 million, RMB3.9 million and RMB2.5 million, respectively. In addition, the Group also has the Celebrate Life Foundation which was founded by Swisse in 2014. Since its inception, the Celebrate Life Foundation has raised over AUD2.0 million for community programs.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on pages 200 of this Annual Report. This summary does not form part of the audited financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

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

For the year ended 31 December 2016, the largest supplier of the Group is Cooperative Isigny Sainte-Mère (「ISM」). ISM is a renowned French dairy company with advanced production technology and world presence, established in Normandy, a region with abundant natural resources (recognized milk source used in Isigny AOP products), in 1932.

Purchases by the Group from ISM amounted to RMB383.6 million in 2016, accounting for 15.2% of the total purchases of the Group for the year, while the purchases made from the five largest suppliers amounted to RMB1,303.9 million, accounting for 51.8% of the total purchases of the Group for the year. None of the Directors or their close associates or any of the shareholders of the Company had any interest in any of the five largest suppliers of the Group.

Directors' Report

DIRECTORS

The Directors of the Company during the year ended 31 December 2016 and up to the date of this Annual Report were as follows:

Executive Directors

Mr. Luo Fei
Ms. Kong Qingjuan (resigned on 21 January 2016)
Mr. Radek Sali (appointed on 21 January 2016 and resigned on 31 December 2016)

Non-executive Directors

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

Independent non-executive Directors

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

In accordance with Articles 84(1) and 84(2) of the Company's Articles of Association (the "Articles"), Mr. Wu Xiong, Dr. Ngai Wai Fung and Mr. Tan Wee Seng shall retire from office by rotation and being eligible, offer themselves for re-election at the 2017 AGM.

DIRECTORS' SERVICE CONTRACTS

Mr. Luo Fei, an executive Director, had entered into a service contract with the Company for an initial fixed term of three years from 17 December 2010 to 16 December 2013, and automatically renewed for a term of three years commencing on 17 December 2013 and on 17 December 2016 respectively, until terminated by not less than three months' notice in writing served by either party on the other or in accordance with the terms set out in the service contracts. An executive Director is entitled to a director's fee, and is also entitled to a discretionary bonus, provided that the aggregate amount of the bonuses payable to all our executive Directors in respect of any financial year of the Company may not exceed 5% of audited consolidated net profit of (after taxation and minority interests and payment of such bonuses but excluding extraordinary and exceptional items) in respect of that financial year. An executive Director may not vote on any resolution of our Directors regarding the increment of annual salary and the amount of the performance-based bonus payable to him.

On 7 November 2013, three of the non-executive Directors, namely Mr. Wu Xiong, Mr. Luo Yun and Mr. Chen Fufang, respectively entered into a letter of appointment with the Company for a term of three years commencing on 17 December 2013, and automatically renewed for a term of three years commencing on 17 December 2016, until terminated by not less than one month's notice in writing served by either party on the other. Dr. Zhang Wenhui had entered into a letter of appointment with the Company as a non-executive Director for an initial term of three years from 25 June 2012 to 24 June 2015, and automatically renewed for a term of three years commencing on 25 June 2015, until terminated by not less than one month's notice in writing served by either party on the other. Each of the non-executive Directors is entitled to a director's fee pursuant to their respective letters of appointment and/or supplementary agreements with the Company dated 29 November 2012.

Each of the independent non-executive Directors had entered into a letter of appointment for a term of three years from 17 December 2012 to 16 December 2015, and automatically renewed for a term of three years commencing on 17 December 2015, until terminated by not less than one month's notice in writing served by the independent non-executive Directors on the Company or in accordance with the provisions set out in the respective letters of appointment. Each of the independent non-executive Directors is entitled to a director's fee.

DIRECTORS' SERVICE CONTRACTS (Continued)

None of the Directors who are proposed for re-election at the 2017 AGM has a service contract which is not determinable within one year without payment of compensation, other than statutory compensation.

PERMITTED INDEMNITY PROVISIONS

The Articles of the Company provide that the Directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty. Such provisions were in force during the financial year ended 31 December 2016 and remained in force as of the date of this Annual Report. The Company has also arranged appropriate directors and officers liability insurance in respect of legal action against Directors.

REMUNERATION OF THE DIRECTORS

Details of remuneration of the Directors during the year ended 31 December 2016 are set out in note 8 to the financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 37 to 47 of the Annual Report.

EMOLUMENT POLICY

The Group's emolument policies are formulated on the performance of individual employees and on the basis of the salary trends in Hong Kong, Mainland China, Australia, France and North America, and will be reviewed regularly. Subject to the Group's profitability, the Group may also distribute discretionary bonus to its employees as an incentive for their contribution to the Group. The Group has adopted a Pre-IPO Share Option Scheme, a Share Option Scheme, a Share Award Scheme and a 2013 Share Award Scheme (each as defined below) for its employees.

None of the Directors waived any emoluments during the year ended 31 December 2016.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Directors' Report

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

As at 31 December 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 SFO) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

Name of Director	Capacity/ Nature of interest	Long/Short position	Shares or underlying shares (under equity derivatives of the Company)	Approximate percentage of interest in the Company *(Note 13)*
Luo Fei	Beneficial owner	Long position	372,744 *(Note 1)*	0.059%
	Beneficial owner	Long position	414,093 *(Note 2)*	0.066%
	Beneficial owner	Long position	398,359 *(Note 3)*	0.063%
	Beneficiary of a trust	Long position	450,000,000 *(Note 4)*	71.375%
Luo Yun	Beneficiary of a trust	Long position	450,000,000 *(Note 4)*	71.375%
Kong Qingjuan *(Note 5)*	Beneficial owner	Long position	228,934 *(Note 1)*	0.036%
	Beneficial owner	Long position	308,982 *(Note 2)*	0.049%
	Beneficial owner	Long position	195,994 *(Note 6)*	0.031%
Radek Sali *(Note 7)*	Beneficial owner	Long position	1,096,513 *(Note 8)*	0.174%
	Beneficial owner	Long position	292,253 *(Note 12)*	0.046%
	Beneficial owner	Long position	324,726 *(Note 9)*	0.052%
	Beneficiary of a trust	Long position	1,060,518 *(Note 10)*	0.168%
Ngai Wai Fung	Beneficial owner	Long position	60,000 *(Note 11)*	0.010%
Tan Wee Seng	Beneficial owner	Long position	60,000 *(Note 11)*	0.010%
Xiao Baichun	Beneficial owner	Long position	60,000 *(Note 11)*	0.010%

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

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

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

Note 3: These are the awarded shares (the "Awarded Shares") granted by the Company under the Share Award Scheme, including 97,000 Awarded Shares granted on 30 March 2012, 55,000 Awarded Shares granted on 3 July 2012, 30,500 Awarded Shares granted on 25 March 2013, 138,031 Awarded Shares granted on 31 December 2015 and 77,828 Awarded Shares granted on 23 December 2016. Details of the Company's Share Award Scheme are set out in the section headed "Share Award Scheme" below.

Note 4: As at 31 December 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 ("Mr. Luo Fei's Family Trust") and Mr. Luo Yun as the settlor ("Mr. Luo Yun's Family Trust"), through its nominee UBS Nominees Limited, holds the entire issued share capital of Flying Company Limited and Sailing Group Limited as the respective trust assets under Mr. Luo Fei's Family Trust and Mr. Luo Yun's Family Trust. Mr. Luo Fei and Mr. Luo Yun are Directors of the Company. The beneficiaries of Mr. Luo Fei's Family Trust and Mr. Luo Yun's Family Trust are Mr. Luo Fei and his family members, and Mr. Luo Yun and his family members, respectively.

Note 5: Ms. Kong Qingjuan resigned from the Board as an executive Director with effect from 21 January 2016.

Note 6: 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" below.

Note 7: Mr. Radek Sali was appointed as an executive Director with effect from 21 January 2016 and resigned as an executive Director with effect from 31 December 2016.

Note 8: These are the shares directly held by Mr. Radek Sali.

Note 9: 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" below.

Note 10: As at 31 December 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 the Company.

Note 11: These are the shares subject to the exercise of the Share Options granted by the Company under the Share Option Scheme on 16 December 2011. Details of the Company's Share Option Scheme are set out in the section headed "Share Option Schemes – Share Option Scheme" below.

Note 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. During the year ended 31 December 2016, 681,925 shares out of 974,178 shares were lapsed. Details of the Company's Share Option Scheme are set out in the section headed "Share Option Schemes – Share Option Scheme" below.

Note 13: As at 31 December 2016, the total number of the issued shares of the Company was 630,472,096.

Save as disclosed herein, none of the Directors and chief executives of the Company, or any of their spouses, or children under eighteen years of age, had any interests or short positions in the shares, underlying shares and debentures of the Company, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 December 2016.

Directors' Report

PRE-EMPTIVE RIGHTS

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

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

References are made to the announcements issued by the Company on 6 June 2016 and 15 June 2016, respectively, regarding the Company's offer to repurchase the Company's HK$3,100,000,000 zero coupon convertible bonds due on 20 February 2019 issued on 20 February 2014 (the "Convertible Bonds"). The Convertible Bonds are listed on 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. Details of the Convertible Bonds are set out in note 29 to the financial statements.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 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

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Share Option Scheme include the Company's Directors (including independent non-executive Directors), other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholders in the Company's subsidiaries. The Share Option Scheme became effective on 25 November 2010 and, unless otherwise cancelled or amended, will remain in force for ten years from that date. As at 31 December 2016, the remaining life of the Share Option Scheme was approximately 3 years and 11 months.

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

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

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

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

SHARE OPTION SCHEMES (Continued)

Share Option Scheme (Continued)

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

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

During the year ended 31 December 2016, a total of 1,578,548 Share Options to subscribe for 1,578,548 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, of which, 483,735 Share Options were granted on 3 May 2016 ("Date of Grant 1") at an exercise price of HK$21.05 per share, 554,009 Share Options were granted on 30 September 2016 ("Date of Grant 2") at an exercise price of HK$20.92 per share, and 540,804 Share Options were granted on 23 December 2016 ("Date of Grant 3") at an exercise price of HK$23.30 per share. The closing prices of the shares of the company immediately before Date of Grant 1, Date of Grant 2 and Date of Grant 3 were HK$21.6, HK$20.65 and HK$22.6 respectively.

Particulars and movements of Share Options under the Share Option Scheme during the year ended 31 December 2016 by category of Grantees were as follows:

			Number of Share Options				
Category of Grantees	Date of grant (DD/MM/YYYY)	Exercise price per Share	Outstanding as at 1 January 2016	Granted during the year ended 31 December 2016	Exercised during the year ended 31 December 2016	Lapsed during the year ended 31 December 2016	Outstanding as at 31 December 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	–	–	(681,925)	292,253
Sub-total			1,997,253	–	–	(801,925)	1,195,328
Other employees	09/06/2011	HK$15.312	288,046	–	(66,866)(3)	(154,712)	66,468
	29/11/2011	HK$11.52	313,876	–	(39,433)(4)	(188,066)	86,377
	01/06/2012	HK$19.64	298,443	–	(46,160)(5)	(163,742)	88,541
	07/12/2012	HK$24.70	597,198	–	(33,500)(6)	(369,037)	194,661
	29/12/2015	HK$15.58	17,171,256	–	–	(4,338,533)	12,832,723
	03/05/2016	HK$21.05	–	483,735	–	–	483,735
	30/09/2016	HK$20.92	–	554,009	–	(63,419)	490,590
	23/12/2016	HK$23.30	–	540,804	–	–	540,804
Total			20,666,072	1,578,548	(185,959)	(6,079,434)	15,979,227

Directors' Report

SHARE OPTION SCHEMES (Continued)

Share Option Scheme (Continued)

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 as an executive Director with effect from 21 January 2016 and resigned as an executive Director with effect from 31 December 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$22.39.

Note 4: The weighted average closing price of these shares immediately before the dates on which the relevant Share Options were exercised is HK$27.18.

Note 5: The weighted average closing price of these shares immediately before the dates on which the relevant Share Options were exercised is HK$26.46.

Note 6: The weighted average closing price of these shares immediately before the dates on which the relevant Share Options were exercised is HK$27.59.

All Share Options granted since the adoption of the Share Option Scheme until 7 December 2012 have vested 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 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 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 April 2018	30% of the total number of Share Options granted
1 April 2019	20% of the total number of Share Options granted

SHARE OPTION SCHEMES (Continued)

Share Option Scheme (Continued)

Among the 483,735 Share Options granted 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

Among the 483,735 Share Options granted 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 April 2018	30% of the total number of Share Options granted
1 April 2019	20% of the total number of Share Options granted

Among the 554,009 Share Options granted on 30 September 2016, 102,487 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 554,009 Share Options granted on 30 September 2016, 349,466 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 April 2018	30% of the total number of Share Options granted
1 April 2019	20% of the total number of Share Options granted

Among the 554,009 Share Options granted on 30 September 2016, 102,056 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 2018	50% of the total number of Share Options granted
1 April 2019	50% of the total number of Share Options granted

SHARE OPTION SCHEMES (Continued)

Share Option Scheme (Continued)

Among the 540,804 Share Options granted on 23 December 2016, 127,759 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 540,804 Share Options granted on 23 December 2016, 413,045 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 2018	50% of the total number of Share Options granted
1 April 2019	50% of the total number of Share Options granted

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

No Share Options granted under the Share Option Scheme were cancelled during the year ended 31 December 2016.

The total number of shares available for issue under the Share Option Scheme is 50,900,289, representing approximately 8.05% of the Company's issued share capital as at the date of this Annual Report.

Pre-IPO Share Option Scheme

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

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

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

SHARE OPTION SCHEMES (Continued)

Pre-IPO Share Option Scheme (Continued)

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

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

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

A total of 11,150,249 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 year ended 31 December 2016, 195 employees were no longer eligible for the Pre-IPO Share Options due to their failure to meet performance target or retirement, and as a result, a total of 3,014,519 Pre-IPO Share Options lapsed. Particulars and movements of the Pre-IPO Share Options under the Pre-IPO Share Option Scheme during the year ended 31 December 2016 by category of grantees are set out below:

	Number of Pre-IPO Share Options			
Category of grantees	**Outstanding as at 1 January 2016**	**Exercised during the year ended 31 December 2016**	**Lapsed during the year ended 31 December 2016**	**Outstanding as at 31 December 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	(906)[2]	(756,778)	105,860
Other employees	2,177,004	(204,805)[3]	(1,816,622)	155,577
Business partners	100,000	–	(40,000)	60,000
Sub-total	3,140,548	(205,711)	(2,613,400)	321,437
Total	4,143,345	(205,711)	(3,014,519)	923,115

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

Note 2: These Pre-IPO Share Options were exercised on the same date. The closing price of the shares immediately before the date on which the relevant Pre-IPO Share Options were exercised was HK$20.4.

Note 3: The weighted average closing price of these shares immediately before the dates on which the relevant Pre-IPO Share Options were exercised was HK$20.56.

Directors' Report

SHARE OPTION SCHEMES (Continued)

Pre-IPO Share Option Scheme (Continued)

No Pre-IPO Share Options granted under the Pre-IPO Share Option Scheme was cancelled during the year ended 31 December 2016.

The total number of shares available for issue under the Pre-IPO Share Option Scheme is 923,115, representing approximately 0.15% of the Company's issued share capital as at the date of this Annual Report.

SHARE AWARD SCHEME

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

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

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

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

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

During the year ended 31 December 2016, the Board neither arranged any funds to be paid to the trustee of the Share Award Scheme for purchasing of shares of the Company on the Stock Exchange, nor did the trustee of the Share Award Scheme purchase any shares of the Company on the Stock Exchange.

On 23 December 2016, the Board resolved to grant a total of 328,048 awarded shares to 7 employees by way of allocation of shares of the Company previously awarded under the Share Award Scheme which did not vest and were lapsed and which were then held by the trustee pursuant to the Share Award Scheme.

SHARE AWARD SCHEME (Continued)

Summary of particulars of the shares awarded under the Share Award Scheme (the "Awarded Shares") during the year ended 31 December 2016 is as follows:

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 31 December 2016	Number of Awarded Shares: Forfeited/ lapsed as at 31 December 2016	Number of Awarded Shares: Outstanding (held by the trustee for the grantees) as at 31 December 2016
31 December 2015	932,817 (1)	0.155%	31 December 2016	(795,157)	(137,660)	–
23 December 2016	7,713 (2)	0.001%	1 April 2017	–	–	7,713
23 December 2016	320,335 (3)	0.053%	1 April 2018	–	–	320,335
Total	1,260,865	0.209%		(795,157)	(137,660)	328,048

Note 1: Among these Awarded Shares granted, 138,031 Awarded Shares were granted to Mr. Luo Fei, the Chief Executive Officer, an executive Director and the Chairman of the Company; 102,994 Awarded Shares were granted to Ms. Kong Qingjuan, who was an executive Director until her resignation on 21 January 2016; 324,726 Awarded Shares were granted to Mr. Radek Sali, who was an executive Director from 21 January 2016 and 31 December 2016; and 294,959 Awarded Shares were granted to 3 participants who were directors of subsidiaries of the Company.

Note 2: These Awarded Shares were granted to a participant who was a director of a subsidiary of the Company.

Note 3: Among these Awarded Shares granted, 77,828 Awarded Shares were granted to Mr. Luo Fei and 242,507 Awarded Shares were granted to 5 participants who were directors of subsidiaries of the Company.

Further details in relation to the Share Award Scheme are set out in note 36 to the financial statements of this Annual Report.

2013 SHARE AWARD SCHEME

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

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

2013 SHARE AWARD SCHEME (Continued)

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

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

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

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

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

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

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

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

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

On 29 December 2015, the Board resolved to grant awards comprising a total of 1,757,635 awarded shares (the "2015 Batch 2 Awarded Shares") to 54 Selected Participants by way of allocation of 1,757,635 Returned Shares.

2013 SHARE AWARD SCHEME (Continued)

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.

On 30 September 2016, the Board resolved to grant awards comprising a total of 49,170 awarded shares (the "2016 Batch 2 Awarded Shares") to 4 Selected Participants by way of allocation of 49,170 Returned Shares.

On 23 December 2016, the Board resolved to grant awards comprising a total of 1,219,979 awarded shares (the "2016 Batch 3 Awarded Shares") to 62 Selected Participants by way of (i) allocation of 168,700 Returned Shares; and (ii) allotment of 1,051,279 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 13 May 2016. On 23 January 2017, the Stock Exchange granted the listing of, and permission to deal in the 2016 Batch 3 Awarded Shares.

Summary of particulars of the 2015 Batch 1 Awarded Shares, 2015 Batch 2 Awarded Shares, 2016 Batch 1 Awarded Shares, 2016 Batch 2 Awarded Shares and 2016 Batch 3 Awarded Shares during the year ended 31 December 2016 are set out below:

				Number of awarded shares		
Date of grant	**Number of Awarded Shares granted**	**Approximate percentage of the Company's share capital as at the adoption date of the 2013 Share Award Scheme**	**Vesting date**	**Vested as at 31 December 2016**	**Forfeited as at 31 December 2016**	**Outstanding (held by the trustee for the Selected Employees) as at 31 December 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	(880,743)	(290,945)	–
29 December 2015	585,947	0.097%	1 April 2017	–	(74,070)	511,877
3 May 2016	45,289	0.008%	30 December 2016	(45,289)	–	–
3 May 2016	82,522	0.014%	1 April 2017	–	–	82,522
30 September 2016	34,529	0.006%	30 December 2016	(34,529)	–	–
30 September 2016	14,641	0.002%	1 April 2017	–	–	14,641
23 December 2016	17,839	0.003%	1 April 2017	–	–	17,839
23 December 2016	1,202,140	0.200%	1 April 2018	–	–	1,202,140
Total	3,291,195	0.546%		(960,561)	(433,315)	1,897,319

Directors' Report

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVES

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" above, at no time during the year was the Company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at 31 December 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	71.375%
Flying Company Limited *(Note 1)*	Interest in a controlled corporation	Long position	450,000,000	71.375%
Sailing Group Limited *(Note 1)*	Interest in a controlled corporation	Long position	450,000,000	71.375%
Coliving Limited *(Note 1)*	Interest in a controlled corporation	Long position	450,000,000	71.375%
UBS Trustees (BVI) Limited *(Note 1)*	Trustee	Long position	450,000,000	71.375%

Note 1: As at 31 December 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 Mr. Luo Fei's Family Trust and Mr. Luo Yun's Family Trust, through its nominee UBS Nominees Limited, holds the entire issued share capital of Flying Company Limited and Sailing Group Limited as the respective trust assets under Mr. Luo Fei's Family Trust and Mr. Luo Yun's Family Trust. The beneficiaries of Mr. Luo Fei's Family Trust and Mr. Luo Yun's Family Trust are Mr. Luo Fei and his family members, and Mr. Luo Yun and his family members, respectively. Mr. Luo Fei and Mr. Luo Yun are Directors of the Company.

Note 2: As at 31 December 2016, the total number of the issued shares of the Company was 630,472,096.

Save as mentioned above, as at 31 December 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2016.

TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" below, no transaction, arrangement or contract of significance to which the Company, its holding companies, its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly, subsisted at the end of the year or at any time during the year. No contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries subsisted at the end of the year or at any time during the year.

NON-COMPETE UNDERTAKINGS

Each of the controlling shareholders of the Company has confirmed to the Company of his/its compliance with the non-compete undertakings provided to the Company under the Deed of Non-Competition (as defined in the prospectus of the Company dated 3 December 2010 (the "Prospectus")). The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling shareholders during the year ended 31 December 2016.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2016 and up to the date of the Annual Report, none of the Directors had any direct or indirect interest in a business which competed or might compete with the business of the Group as required to be disclosed under Rule 8.10 of the Listing Rules.

CONNECTED TRANSACTIONS

During the year ended 31 December 2016, below transactions of the Group constituted connected transactions (including continuing connected transactions) under Chapter 14A of the Listing Rules.

1. Grant of the Holdco Put Option

On 14 September 2016, Biostime Healthy Australia Investment Pty Ltd ("Biostime Australia Investment") an indirect subsidiary of the Company and a direct shareholder of Swisse Wellness Group Ptd Ltd ("Swisse", together with its subsidiaries, the "Target Group"), gave an option notice to the Target Minority Shareholders (i.e. (1) Fiske Pty Ltd as trustee for the Ring Family Trust; (2) Michael Saba; (3) Kednel Pty Ltd as trustee for the Sali Investment Trust; (4) Super Radek Pty Ltd as trustee for the Super Radek Superannuation Fund; (5) O'Hoy Super Pty Ltd as trustee for the Jennifer O'Hoy Superannuation Fund; (6) Ankara Holdings Pty Ltd as trustee for the Ankara Family Trust; (7) Michael Rosario John Da Gama Pinto as trustee for the DGP Trust; (8) Ulrich Algreen Irgens; (9) GFBR Nominees Pty Limited as trustee for the George St Group Superannuation Fund; (10) Copper Blonde Pty Limited as trustee for the MJ & MD Howard Family Trust; (11) Catherine Crowley; (12) George Livery and Lynne Maree Livery; and (13) Michael Rosario John Da Gama Pinto and Amanda Da Gama Pinto as trustees for the DGP Superannuation Fund) to exercise the option (the "Roll-Up Call Option") under a call option deed dated 17 September 2015 entered into between Biostime Australia Investment and the Target Minority Shareholders, namely the right, subject to satisfaction of certain conditions, to require the Target Minority Shareholders to sell to Biostime Australia Investment all of the shares they continue to hold in Swisse after completion of the acquisition by Biostime Australia Investment of an approximate 83% equity interest in Swisse from, among others, the Target Minority Shareholders (the "83% Acquisition") which was completed on 30 September 2015, in exchange for an issue of shares representing an equivalent stake in Biostime Healthy Australia Holdings Pty Ltd ("Biostime Australia Holdings"), an indirect subsidiary of the Company and the direct shareholder of Biostime Australia Investment.

Directors' Report

CONNECTED TRANSACTIONS (Continued)

1. Grant of the Holdco Put Option (Continued)

On completion of the exercise of the Roll-Up Call Option on 14 September 2016, on the same date, Biostime Healthy Australia Pty Ltd ("Biostime Australia"), Biostime Australia Holdings and the Target Minority Shareholders entered into a Roll-Up Shareholders' Agreement (the "Roll-Up Shareholders' Agreement"). The principal terms of the Roll-Up Shareholders' Agreement include, among others, grant of a put option (the "Holdco Put Option") by Biostime Australia to the Target Minority Shareholders, namely Biostime Australia will grant each of the Target Minority Shareholders the right to require Biostime Australia to buy all (but not some only) of its shares in Biostime Australia Holdings on the third, fifth, sixth, seventh and eighth anniversaries of completion of the 83% Acquisition, by giving a Holdco Put Option Exercise Notice.

Reasons and benefits for the Transactions

Upon the completion of the 83% Acquisition on 30 September 2015, the financial results of the Target Group were consolidated into that of the Group from 1 October 2015 onwards. This milestone event enabled the Group to expand its product portfolio into the adult nutrition and care segment with vitamins and health supplements products under the "Swisse" brand name. Accordingly, the Group has repositioned itself as an all-round nutrition and care provider for the entire family. In the baby nutrition and care market in China, the Group is in leading positions across all major channels. Meanwhile, the Target Group is the market leader with strong brand recognition in the Australian market for the vitamin, herbal and mineral supplements segment.

For the year ended 31 December 2016, revenue of the Group increased by 35.0% to RMB6,505.6 million as compared with that for the same period of 2015. The increase in revenue was mainly attributable to the Group enriching its product portfolio into the adult nutrition and care products segment under the "Swisse" brand. For the year ended 31 December 2016, revenue from the sales of the adult nutrition and care products amounted to RMB2,682.5 million, representing 41.2% of the total sales of the Group for the year ended 31 December 2016.

In late 2015, the Group initiated direct sales of "Swisse" branded products on the Mama100 mobile software application and was highly popular among Chinese customers. In March 2016, the Group officially introduced "Swisse" branded vitamin and health supplement products to the Chinese market through its newly set-up flagship store at Tmall.hk. In addition, the Target Group 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.

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 the Target Group'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" branded products in the Chinese market.

The exercise of the Roll-Up Call Option alone has no impact on the financial results of the Group as a whole and therefore is considered as an internal restructuring of the Group. Such internal restructuring is to enable the dividend stream from Swisse Wellness to be fully utilised to, among others, service a USD450 million term loan facility obtained by Biostime Australia Investment in April 2016, the proceeds of which were used for refinancing in relation to the 83% Acquisition.

CONNECTED TRANSACTIONS (Continued)

1. Grant of the Holdco Put Option (Continued)

Listing Rules Implications

The exercise of the Holdco Put Option is not at the discretion of Biostime Australia and as at the date of the grant of the Holdco Put Option, Biostime Australia was unable to determine the highest possible monetary value of the consideration payable upon the exercise of the Holdco Put Option. Accordingly, pursuant to Rule 14.76(1) of the Listing Rules, the grant of the Holdco Put Option to the Target Minority Shareholders constitute at least a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, as at the date of the grant of the Holdco Put Option, Radek Sali was a director of the Company and therefore a connected person of the Company. Accordingly, the grant of the Holdco Put Option to associates of Radek Sali which are amongst the Target Minority Shareholders (namely, Kednel Pty Ltd (as trustee for the Sali Investment Trust) and Super Radek Pty Ltd (as trustee for the Super Radek Superannuation Fund)) constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

As Biostime Australia was unable to determine the highest possible monetary value of the consideration payable upon the exercise of the Holdco Put Option as at the date of the grant of the Holdco Put Option, pursuant to Rule 14A.79(5)(a) of the Listing Rules, the grant of the Holdco Put Option to associates of Radek Sali which are amongst the Target Minority Shareholders (namely, Kednel Pty Ltd (as trustee for the Sali Investment Trust) and Super Radek Pty Ltd (as trustee for the Super Radek Superannuation Fund)) (the exercise of which is not at the discretion of Biostime Australia) constituted a connected transaction of the Company under Chapter 14A of the Listing Rules which was subject to requirements for reporting, announcement and approval by independent shareholders.

Furthermore, as at the date of the grant of the Holdco Put Option, each of Stephen Ring (with Adem Karalfili being his alternate director), Ulrich Algreen Irgens and Michael Rosario John Da Gama Pinto was a director of certain subsidiaries of the Company and therefore a connected person of the Company at the subsidiary level. Accordingly, the grant of the Holdco Put Option to Fiske Pty Ltd (as trustee for the Ring Family Trust, and thus an associate of Stephen Ring), Ankara Holdings Pty Ltd (as trustee for the Ankara Family Trust, and thus an associate of Adem Karalfili), Ulrich Algreen Irgens, Michael Rosario John Da Gama Pinto (as trustee for the DGP Trust) and Michael Rosario John Da Gama Pinto and Amanda Da Gama Pinto (as trustees for the DGP Superannuation Fund) constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Directors' Report

CONNECTED TRANSACTIONS (Continued)

1. Grant of the Holdco Put Option (Continued)

Listing Rules Implications (Continued)

Given that each of Stephen Ring, Adem Karalfili, Ulrich Algreen Irgens and Michael Rosario John Da Gama Pinto is a connected person at the subsidiary level only, pursuant to Rule 14A.101 of the Listing Rules, the grant of the Holdco Put Option to Fiske Pty Ltd (as trustee for the Ring Family Trust, and thus an associate of Stephen Ring), Ankara Holdings Pty Ltd (as trustee for the Ankara Family Trust, and thus an associate of Adem Karalfili), Ulrich Algreen Irgens, Michael Rosario John Da Gama Pinto (as trustee for the DGP Trust) and Michael Rosario John Da Gama Pinto and Amanda Da Gama Pinto (as trustees for the DGP Superannuation Fund) can be exempt from the circular, independent financial advice and Independent Shareholders' approval requirements, if (i) the Board has approved the Transactions; and (ii) the independent non-executive Directors have confirmed that the terms of the relevant aspects of the transactions are fair and reasonable, on normal commercial terms and in the interests of the Company and the shareholders as a whole. As the view of the independent non-executive Directors would only be given after considering the view of the Independent Financial Adviser in relation to the relevant aspects of the transactions, the grant of the Holdco Put Option to Fiske Pty Ltd (as trustee for the Ring Family Trust, and thus an associate of Stephen Ring), Ankara Holdings Pty Ltd (as trustee for the Ankara Family Trust, and thus an associate of Adem Karalfili), Ulrich Algreen Irgens, Michael Rosario John Da Gama Pinto (as trustee for the DGP Trust) and Michael Rosario John Da Gama Pinto and Amanda Da Gama Pinto (as trustees for the DGP Superannuation Fund) was also subject to the circular, independent financial advice and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Approval of the exercise of the Roll-Up Call Option and the entering into of the Roll-Up Shareholders' Agreement by the independent shareholders of the Company were obtained at an extraordinary general meeting of the Company held on 13 September 2016.

Further details in relation to the grant of the Holdco Put Option and the related transactions are set out in the Company's announcement dated 19 July 2016 and circular dated 29 August 2016.

2. Acquisition of Equity Interests in Biostime Healthy Australia Holdings Pty Ltd

On 15 December 2016, the Company (as purchaser) and the Target Minority Shareholders (as sellers) entered into the Share Sale Agreement, pursuant to which each of the Target Minority Shareholders has conditionally agreed to sell, and the Company has conditionally agreed to acquire, by itself or through its subsidiary, a total of approximately 17% equity interest in Biostime Australia Holdings (the "17% Acquisition") for a consideration of AUD311.3 million (equivalent to approximately RMB1,561.4 million). Completion of the 17% Acquisition is subject to the fulfilment of certain conditions. Upon completion of the 17% Acquisition, the Company's equity interest in Biostime Australia Holdings will increase from approximately 83% to 100%, and the financial information of Biostime Australia Holdings and its subsidiaries (including the Target Group) will continue to be consolidated into the accounts of the Group.

Reasons and benefits for the 17% Acquisition

The 17% Acquisition will enable the Group to obtain full ownership of and full control over the Target Group, which will optimise integration with the Group and the Target Group's contribution to the Group's growth potential.

CONNECTED TRANSACTIONS (Continued)

2. Acquisition of Equity Interests in Biostime Healthy Australia Holdings Pty Ltd (Continued)

Listing Rules Implications

As one of the applicable percentage ratios (as calculated under Rule 14.07 of the Listing Rules) in respect of the 17% Acquisition, when aggregated with the Acquisition pursuant to Rule 14.22 of the Listing Rules, exceeds 100%, the 17% Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at 15 December 2016, Radek Sali was a director of the Company and therefore a connected person of the Company. Accordingly, the acquisitions of the equity interests in Biostime Australia Holdings, as part of the 17% Acquisition, from the associates of Radek Sali which are amongst the Target Minority Shareholders (namely, Kednel Pty Ltd (as trustee for the Sali Investment Trust) and Super Radek Pty Ltd (as trustee for the Super Radek Superannuation Fund)) (the "Acquisitions from Radek Sali") constituted connected transactions of the Company under Chapter 14A of the Listing Rules.

As the 17% Acquisition is conducted on normal commercial terms and each of the applicable percentage ratios (as calculated under Rule 14.07 of the Listing Rules) in respect of the Acquisitions from Radek Sali is more than 0.1% but less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, the Acquisitions from Radek Sali are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Furthermore, as at 15 December 2016, each of Stephen Ring (with Adem Karafili being his alternate director) and Ulrich Algreen Irgens was a director of certain subsidiaries of the Company and therefore a connected person of the Company at the subsidiary level. Accordingly, the acquisitions of the equity interests in Biostime Australia Holdings, as part of the 17% Acquisition, from Fiske Pty Ltd (as trustee for the Ring Family Trust, and thus an associate of Stephen Ring), Ankara Holdings Pty Ltd (as trustee for the Ankara Family Trust, and thus an associate of Adem Karafili) and Ulrich Algreen Irgens (the "Acquisitions from Directors at Subsidiary Level") constituted connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that each of Stephen Ring, Adem Karafili and Ulrich Algreen Irgens is a connected person at the subsidiary level only, pursuant to Rule 14A.101 of the Listing Rules, the Acquisitions from Directors at Subsidiary Level are exempt from the circular, independent financial advice and shareholders' approval requirements, as (i) the Board has approved the 17% Acquisition; and (ii) the independent non-executive Directors have confirmed that the terms of the 17% Acquisition are fair and reasonable, and the 17% Acquisition is conducted on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

Further details in relation to the 17% Acquisition are set out in the Company's announcement dated 15 December 2016.

Directors' Report

CONNECTED TRANSACTIONS (Continued)

3. Renewed Framework Purchase Agreement

On 1 January 2016, BMcare Baby Products Inc. (Guangzhou)* (廣州葆艾嬰幼兒護理用品有限公司, "BMcare Guangzhou"), the Company's directly wholly-owned subsidiary, renewed the then existing framework purchase agreement (the "Renewed Framework Purchase Agreement") with Guangzhou Biohope Co., Ltd.* (廣州市百好博有限公司, "Guangzhou Biohope"), a connected person of the Company, in relation to the purchase of certain raw materials from Guangzhou Biohope for the production of a series of baby care products by BMcare Guangzhou for a term of 3 years. As the transactions contemplated under the Renewed Framework Purchase Agreement are conducted on normal commercial terms or better, and all the percentage ratios (other than the profits ratio) as defined in Chapter 14 of the Listing Rules are less than 5% and the total consideration is less than HK$3,000,000, the transactions contemplated under the Renewed Framework Purchase Agreement are fully exempt from the shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

4. Structure Contracts, Promotion Service Agreement and Domain Name Transfer Agreement

Background

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

In contemplation of developing a uniform e-commerce platform to be utilized by the specialty stores for the sale of the Group's products, on 8 November 2013, Guangzhou Mama100 E-commerce Co., Limited* (廣州市媽媽一百電子商務有限公司, "Mama100 E-commerce") was established in the PRC with limited liability with a registered capital of RMB10,000,000, and is owned as to 57.7% by Mr. Luo Fei, 26% by Mr. Wu Xiong, 11.9% by Mr. Chen Fufang and 4.4% by Ms. Kong Qingjuan (the "Mama100 Shareholders").

Prior to 10 April 2015, under the relevant rules and regulations in the PRC, foreign investors were not allowed to hold more than 50% of the equity interest of a company providing value-added telecommunications services including e-commerce. Mama100 E-commerce was established for the purpose of enabling the Group to operate its e-commerce platform. Mama100 E-commerce has obtained the Internet Content Provider License (增值電信業務經營許可證) as an "Internet Content Provider" ("ICP") and is allowed to conduct e-commerce businesses. Therefore, on 27 June 2014, the Group entered into legal arrangement with Mama100 E-commerce through a series of contracts, namely the exclusive management and consultancy service agreement (the "Exclusive Management and Consultancy Service Agreement"), the equity interests pledge agreement (the "Equity Interests Pledge Agreement"), the exclusive call option agreement (the "Exclusive Call Option Agreement"), the business management agreement (the "Business Management Agreement") (including the power of attorneys (the "Power of Attorneys") and undertakings (the "Undertakings")), the trademark license agreement (the "Trademark License Agreement"), the trademark application license agreement (the "Trademark Application License Agreement") and the associated agreements (collectively, the "2014 Structure Contracts"), in order to conduct the e-commerce business as contemplated under the 2014 Structure Contracts through Mama100 E-commerce.

Pursuant to the 2014 Structure Contracts:

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

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

CONNECTED TRANSACTIONS (Continued)

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

Background *(Continued)*

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

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

(v) the Company is able to consolidate the financial results of Mama100 E-commerce into the Group's results from the commencement date of the 2014 Structure Contracts; and

(vi) none of the shareholders of Mama100 E-commerce, namely, Mr. Luo Fei, Mr. Wu Xiong, Mr. Chen Fufang and Ms. Kong Qingjuan, obtains or receives any financial or commercial benefits from his/her respective interest in Mama100 E-commerce under the 2014 Structure Contracts despite holding direct or indirect equity interests in Mama100 E-commerce.

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

The 2014 Structure Contracts

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

Major provisions of the key 2014 Structure Contracts

(1) Exclusive Management and Consultancy Service Agreement

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

Directors' Report

CONNECTED TRANSACTIONS (Continued)

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

The 2014 Structure Contracts (Continued)

Major provisions of the key 2014 Structure Contracts (Continued)

(2) Equity Interests Pledge Agreement

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

(3) Exclusive Call Option Agreement

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

(4) Business Management Agreement

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

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

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

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

(5) Power of Attorneys and Undertakings

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

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

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

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

CONNECTED TRANSACTIONS (Continued)

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

The 2014 Structure Contracts (Continued)

Major provisions of the key 2014 Structure Contracts (Continued)

(5) Power of Attorneys and Undertakings *(Continued)*

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

(i) any successor to him/her shall hold the respective equity interest in Mama100 E-commerce subject to the conditions, requirements and obligations under the Undertaking and the 2014 Structure Contracts;

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

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

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

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

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

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

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

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

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

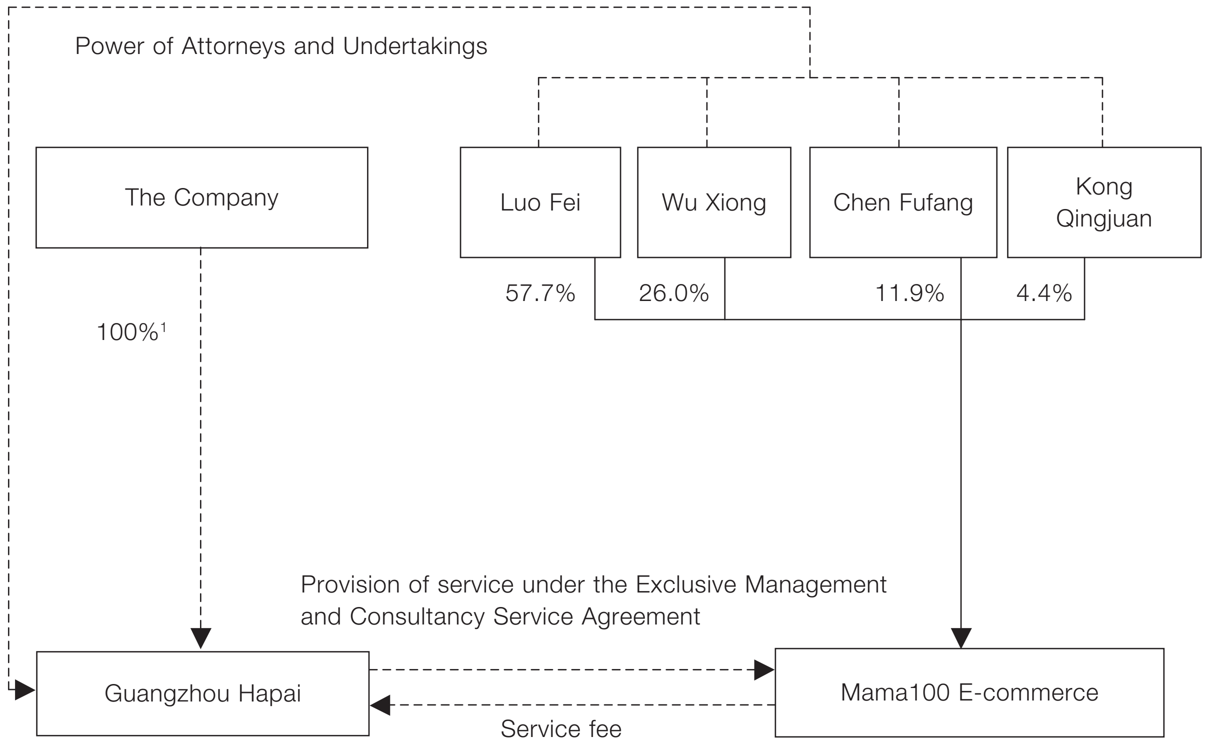
The aggregated consideration under the License Agreements was set at the range of 2% to 10% of the revenue of Mama100 E-commerce for the corresponding period, with the exact amount to be determined by both parties according to the actual utilization frequency of such registered trademarks and trademarks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

CONNECTED TRANSACTIONS (Continued)

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

Corporate Structure

The following chart illustrates the relationship between the Company, Guangzhou Hapai, Mama100 E-commerce and its shareholders in relation to the 2014 Structure Contracts.



Note:

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

Dispute resolution

Pursuant to the 2014 Structure Contracts and the Renewed Structure Contracts (as defined below) (the "Structure Contracts"), any dispute arising from the validity, interpretation and performance of the Structure Contracts between the parties thereto should first be resolved through negotiation, failing which any party may submit the said dispute to the Guangzhou Arbitration Commission with a view to resolving the dispute through arbitration in accordance with the arbitration rules thereof. The arbitral tribunal may award remedies over the shares or land assets of Mama100 E-Commerce, injunctive relief (such as stipulating certain conducts of business or compelling transfer of assets) or order the winding up of Mama100 E-Commerce (the "Arbitral Award Provisions").

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

CONNECTED TRANSACTIONS (Continued)

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

Dispute resolution (Continued)

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

Risks involved in the Structure Contracts

As the primary beneficiary of Mama100 E-commerce, the Group is exposed to the business risks and financial risks faced by Mama100 E-commerce. There is no assurance that Mama100 E-commerce will generate any profit which can be paid to the Group through the Exclusive Management and Consultancy Service Agreement and Business Management Agreement. Any profit or loss of Mama100 E-commerce (net of intra-group transactions) will be reflected in the consolidated financial results of the Group.

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

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

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

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

CONNECTED TRANSACTIONS (Continued)

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

Internal control

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

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

Promotion Service Agreement

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

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

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

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

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

The above service fees shall be settled on monthly basis.

Domain Name Transfer Agreement

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

CONNECTED TRANSACTIONS (Continued)

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

Annual caps

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

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

Note:

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

Reasons and benefits for the Transactions

Mama100 E-commerce becomes the Company's subsidiary and the Group obtains financial and operational control of Mama100 E-commerce upon the execution of the Structure Contracts. Further, upon the execution of the 2014 Structure Contracts, the Promotion Service Agreement and the Domain Name Transfer Agreement, it allowed the Group to enhance the sales efficiency of the Group's products by specialty stores via the Internet at a low cost and accordingly substantially increase the sales volume of the Group's products to its distributors.

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

Directors' Report

CONNECTED TRANSACTIONS (Continued)

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

Listing Rules implications

Mama100 E-commerce is owned as to 57.7% by Mr. Luo Fei, 26% by Mr. Wu Xiong, 11.9% by Mr. Chen Fufang and 4.4% by Ms. Kong Qingjuan. Mr. Luo Fei is an executive Director and each of Mr. Wu Xiong and Mr. Chen Fufang is a non-executive Director. Ms. Kong Qingjuan was a former executive Director until her resignation on 21 January 2016. In addition, Mr. Luo Fei is also the Chief Executive Officer of the Company. Mama100 E-commerce, an associate of Mr. Luo Fei, is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, (i) the transactions contemplated under the Domain Name Transfer Agreement constituted connected transactions of the Company and (ii) each of the other Transactions constituted continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

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

Annual review of the continuing connected transactions

The independent non-executive Directors have reviewed all the above-mentioned continuing connected transactions and confirmed that during the year ended 31 December 2016, these transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

Details of the consideration paid in respect of all the continuing connected transactions during the year ended 31 December 2016 are set out as follows:

	Annual Caps for the year (in RMB)	Consideration paid during the year (in RMB)
2014 Structure Contracts		
– Exclusive Management and Consultancy Service Agreement	8,520,000	–
– License Agreements	1,540,000	–
Promotion Service Agreement	62,210,000	–

CONNECTED TRANSACTIONS (Continued)

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

Renewal of the 2014 Structure Contracts

Since 19 June 2015, new rules and regulations have been promulgated by the PRC government under which foreign invested enterprise established under the laws of the PRC where foreign investors hold more than 50% of the equity interests could apply the Electronic Data Interchange Permit (增值電信業務經營許可證(在線數據處理與交易業務)) from the relevant PRC authority and is allowed to engage in e-commerce business. However, as the relevant policy is not yet clear and there is no specific implementation guidance as to the regulation of foreign investors in the value-added telecommunication business in the PRC, the e-commerce business still could not be transferred to the Group for operation.

As the 2014 Structure Contracts expired on 31 December 2016, in order to continue the contractual arrangements between the Group and Mama100 E-commerce, the Company entered into a new exclusive management and consultancy service agreement (the "Renewed Exclusive Management and Consultancy Service Agreement"), a new equity interests pledge agreement, a new exclusive call option agreement, a new business management agreement (including the power of attorneys and undertakings), a new trademark license agreement and the associated agreements (collectively, the "Renewed Structure Contracts") and a platform service agreement (the "Platform Service Agreement") on 30 December 2016, for a period of three years commencing from 1 January 2017 to 31 December 2019.

The proposed annual caps for the transactions under the Renewed Structure Contracts and the Platform Service Agreement for the three years ending 31 December 2017, 2018 and 2019 are expected to be as follows:

	2017 (in RMB)	**2018 (in RMB)**	**2019 (in RMB)**
Renewed Exclusive Management and Consultancy Service Agreement	600,000	1,330,000	2,020,000
Platform Service Agreement	12,480,000	16,810,000	22,250,000
Total (on an aggregated basis)	13,080,000	18,140,000	24,270,000

As the highest applicable percentage ratio (other than the profits ratio) in relation to the largest annual caps for the transactions contemplated under the Renewed Structure Contracts and the Platform Service Agreement in aggregate is more than 0.1% but less than 5%, each of the transactions contemplated under the Renewed Structure Contracts and the Platform Service Agreement fall within Rule 14A.76(2) of the Listing Rules and is subject to the reporting, announcement and annual review requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Further details in relation to the Renewed Structure Contracts are set out in the Company's announcement dated 30 December 2016.

Directors' Report

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

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

The Audit Committee has reviewed the Company's interim results for the six months ended 30 June 2016 and the annual results for the year ended 31 December 2016, the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016 and the Annual Report for the year ended 31 December 2016, the financial reporting and compliance procedures, the report from the management on the Company's internal control and risk management systems and processes, scope of work and the re-appointment of the external auditors, connected transactions and arrangement for employees to raise concerns about possible improprieties. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditors.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding Directors' dealings in the Company's securities (the "Company Code") on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry to all the Directors, all the Directors confirmed that they have complied with the Company Code and the Model Code during the year ended 31 December 2016.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules throughout the year ended 31 December 2016.

EVENTS AFTER THE END OF THE REPORTING PERIOD

The details of events after the end of the reporting period of the Group are set out in note 48 to the financial statements.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 21 to 36 of this Annual Report.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2016.

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

AUDITOR

The consolidated financial statements for the year ended 31 December 2016 have been audited by Ernst & Young who shall retire at the 2017 AGM. A resolution will be proposed at the 2017 AGM to re-appoint Ernst & Young as external auditor of the Company.

On behalf of the Board
Luo Fei
Chairman

Hong Kong, 27 March 2017

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Biostime International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 89 to 199, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill and intangible assets with indefinite lives	
As at 31 December 2016, the Group recorded goodwill and intangible assets with indefinite lives of RMB5,303,592,000 and RMB1,929,214,000 respectively, which represented 37% and 14% of the total assets of the Group. The Group is required to perform annual impairment testing for goodwill and intangible assets with indefinite lives. Management performed impairment tests on these assets by using discounted cash flow models as at 31 December 2016. This area was important to our audit due to significant judgement and estimates involved in the assessment of the recoverable amounts of these assets. This assessment required management to make assumptions to be used in the discounted cash flow models. The most critical assumptions were growth rates and discount rates. The disclosures about impairment testing of goodwill and intangible assets with indefinite lives are included in note 16 to the financial statements.	Our audit procedures included, among others, involving our valuation specialists to assist us in evaluating the methodologies, discount rates and long-term growth rates used by management to estimate the recoverable amounts of these assets. We also challenged the assumptions used by management and assessed the forecasts used with respect to future revenues and operating results by comparing the forecasts with the historic performance of the respective cash-generating units to which the goodwill or the intangible assets with indefinite lives are assigned to and their business development plans. Furthermore, we assessed the growth rates in sales by comparing them to the industry trend and made analysis. We also focused on the adequacy of the relevant disclosures in the Group's financial statements.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Hedge accounting	
The Group has entered into a series of interest rate swaps, cross currency swaps and cross currency interest rate swaps (the "Swaps") to hedge the Group's exposure to interest rate and foreign currency risks relating to its bank borrowings denominated in United States dollars. For accounting purposes, the Group has applied cash flow hedge accounting. In order to apply cash flow hedge accounting, the Group has to comply with a number of strict requirements in IFRSs, including: • Designate and document both the hedging relationship and its management objective and strategy for undertaking the hedge at the inception of the hedge; • Perform prospective and retrospective (quantitative) hedge effectiveness testing; and • Record any resulting effectiveness in other comprehensive income and ineffectiveness in profit or loss. The accounting standards governing the criteria and application of hedge accounting are complex, and require significant judgement in their applications. Given that the incorrect application of these requirements can lead to a material effect on profit or loss and equity, we determined this to be important to our audit. The disclosures about hedge accounting are included in note 27 to the financial statements.	During our audit, we involved our valuation specialists to assist us in testing the fair value of the Swaps. We also assessed the Group's hedging policies in respect of its interest rate and foreign currency risk exposures. Furthermore, we evaluated the hedge documentation prepared by management and assessed the hedge effectiveness test prepared by management with the help of our valuation specialists. We also considered the completeness and accuracy of the disclosures relating to the Swaps in the financial statements.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Financial liabilities associated with put options	
Following the completion of the Roll-up Call Option on 14 September 2016 (as defined in note 31 to the financial statements), a put option was granted to each of the non-controlling shareholders of Biostime Healthy Australia Holdings Pty Ltd ("Biostime Australia Holdings"), a 83%-owned subsidiary of the Company, which give them the right to require the Group to buy all of their shares in Biostime Australia Holdings within an agreed period by giving put option exercise notices to the Group. Accordingly, the Group recognised financial liabilities associated with these put options of RMB1,535,438,000 as at 14 September 2016. The valuation of the financial liabilities associated with put options as at 14 September 2016 was determined by management using a discounted cash flow model which is based on a number of assumptions. The key assumptions included future financial performance of Swisse Wellness Group Pty Ltd ("Swisse"), the principal operating subsidiary of Biostime Australia Holdings, long-term growth rate and discount rate. We focused on this area because significant judgement is involved in determining these assumptions and financial liabilities associated with put options are material to the Group's financial statements. Relevant disclosures are included in notes 27 and 31 to the financial statements.	Our audit procedures included, among others, involving our valuation specialists to assist us in evaluating the assumptions and methodologies used by the management in valuing the financial liabilities associated with put options as at 14 September 2016, in particular, the discount rate and the long-term growth rate. We assessed the forecasts used with respect to future revenues and operating results of Swisse by comparing the forecasts with the historic performance of Swisse and its business development plan. We also compared the growth rate in sales to the industry trend and made analysis. We also focused on the adequacy of the relevant disclosures in the financial statements.

Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lau Kin Yu.

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

27 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
REVENUE	5	6,505,616	4,818,561
Cost of sales		(2,446,549)	(1,833,996)
Gross profit		4,059,067	2,984,565
Other income and gains	5	323,672	143,997
Selling and distribution costs		(1,951,748)	(1,977,024)
Administrative expenses		(357,187)	(280,144)
Other expenses		(143,985)	(214,237)
Finance costs	6	(468,287)	(154,022)
Share of losses of an associate	20	(5,012)	(387)
PROFIT BEFORE TAX	7	1,456,520	502,748
Income tax expense	9	(404,558)	(210,201)
PROFIT FOR THE YEAR		1,051,962	292,547
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year		62,313	–
Reclassification adjustments for losses included in profit or loss		(61,320)	–
Income tax effect		(298)	–
Exchange realignment		210	–
		905	–
Exchange differences on translation of foreign operations		64,594	48,402
Exchange differences on net investment in a foreign operation		(23,449)	70,560
		41,145	118,962
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		42,050	118,962
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,094,012	411,509

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
Profit attributable to:			
Owners of the parent		954,396	250,687
Non-controlling interests		97,566	41,860
		1,051,962	292,547
Total comprehensive income attributable to:			
Owners of the parent		974,278	353,892
Non-controlling interests		119,734	57,617
		1,094,012	411,509
		RMB	RMB (Restated)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	11		
Basic		1.52	0.41
Diluted		1.50	0.40

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	12	531,197	546,995
Prepaid land lease payments	13	60,287	61,765
Goodwill	14	5,303,592	4,937,296
Intangible assets	15	3,001,886	2,896,616
Bonds receivable	17	127,701	124,003
Loans receivable	18	48,789	54,896
Deposits	19	5,662	8,513
Investment in an associate	20	35,193	40,205
Loan to an associate	20	40,000	–
Held-to-maturity investment		18,435	17,901
Time deposits	24	–	70,159
Deferred tax assets	32	352,973	198,061
Pledged deposits	24	–	250,000
Derivative financial instruments	27	246,751	–
Total non-current assets		9,772,466	9,206,410
CURRENT ASSETS			
Inventories	21	775,356	856,224
Trade and bills receivables	22	516,624	622,842
Prepayments, deposits and other receivables	23	608,998	218,980
Loan to an associate	20	–	40,000
Loans receivable	18	27,084	21,984
Derivative financial instrument	27	2,914	2,728
Pledged deposits	24	995,498	1,677,000
Cash and cash equivalents	24	1,506,203	1,198,235
Total current assets		4,432,677	4,637,993
CURRENT LIABILITIES			
Trade and bills payables	25	532,121	618,711
Other payables and accruals	26	862,721	1,125,549
Derivative financial instruments	27	3,074	19,005
Interest-bearing bank loans	28	549,387	4,740,450
Convertible bonds	29	1,223,619	–
Senior notes	30	201,171	–
Financial liabilities associated with put options	31	1,561,387	–
Tax payable		303,902	175,609
Total current liabilities		5,237,382	6,679,324
NET CURRENT LIABILITIES		(804,705)	(2,041,331)

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
NET CURRENT LIABILITIES		**(804,705)**	(2,041,331)
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,967,761**	7,165,079
NON-CURRENT LIABILITIES			
Convertible bonds	29	**–**	2,659,057
Senior notes	30	**2,542,703**	–
Interest-bearing bank loans	28	**2,242,791**	–
Other payables and accruals	26	**23,175**	28,696
Deferred tax liabilities	32	**962,988**	875,083
Total non-current liabilities		**5,771,657**	3,562,836
Net assets		**3,196,104**	3,602,243
EQUITY			
Equity attributable to owners of the parent			
Issued capital	34	**5,390**	5,387
Equity component of convertible bonds	29	**24,489**	66,978
Other reserves	37	**3,131,627**	3,220,787
		3,161,506	3,293,152
Non-controlling interests		**34,598**	309,091
Total equity		**3,196,104**	3,602,243

Luo Fei
Director

Chen Fufang
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Notes	Attributable to owners of the parent																
		Issued capital	Share premium account	Equity component of convertible bonds	Shares held for the share award schemes	Contributed surplus	Capital surplus	Statutory reserve	Share option reserve	Share award reserve	Exchange fluctuation reserve	Other reserve	Put option reserve	Hedging reserve	Retained profits	Total	Non-controlling interests	Total equity
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	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 2016 (Restated)		5,387	443,825	66,978	(42,141)	26,992	95	358,226	6,914	899	37,881	-	-	-	2,388,096	3,293,152	309,091	3,602,243
Profit for the year		-	-	-	-	-	-	-	-	-	-	-	-	-	954,396	954,396	97,566	1,051,962
Other comprehensive income for the year:																		
Cash flow hedges, net of tax	27	-	-	-	-	-	-	-	-	-	-	-	-	751	-	751	154	905
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	-	42,580	-	-	-	-	42,580	22,014	64,594
Exchange difference on net investment in a foreign operation		-	-	-	-	-	-	-	-	-	(23,449)	-	-	-	-	(23,449)	-	(23,449)
Total comprehensive income for the year		-	-	-	-	-	-	-	-	-	19,131	-	-	751	954,396	974,278	119,734	1,094,012
Transfer to statutory reserve funds		-	-	-	-	-	-	2,013	-	-	-	-	-	-	(2,013)	-	-	-
Equity-settle share option arrangements	35	3	6,848	-	-	-	-	-	30,734	-	-	-	-	-	-	37,585	-	37,585
Equity-settled share award schemes	36	-	-	-	22,870	-	-	-	-	6,782	-	-	-	-	316	29,968	-	29,968
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(12,964)	(12,964)
Repurchase of convertible bonds	29	-	-	(24,847)	-	-	-	-	-	-	-	-	-	-	-	(24,847)	-	(24,847)
Transfer to retained profits upon repurchase of convertible bonds	29	-	-	(17,642)	-	-	-	-	-	-	-	-	-	-	17,642	-	-	-
Arising from the grant of the Holdco Put Option	31	-	-	-	-	-	-	-	-	-	-	-	(1,535,438)	-	-	(1,535,438)	-	(1,535,438)
Exercise of the Roll-up Call Option		-	-	-	-	-	-	-	-	-	-	381,263**	5,545	-	-	386,808	(381,263)	5,545
At 31 December 2016		5,390	450,673*	24,489	(19,271)*	26,992*	95*	360,239*	37,648*	7,681*	57,012*	381,263*	(1,529,893)*	751*	3,358,437*	3,161,506	34,598	3,196,104

** A change in the ownership interest in Biostime Healthy Australia Holdings Pty Ltd, a then wholly-owned subsidiary of the Company, without a loss of control, has been accounted for as an equity transaction, details of which are contained in note 31 to these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

	Notes	Issued capital RMB'000	Share premium account RMB'000	Equity component of convertible bonds RMB'000	Shares held for the share award schemes RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent													
At 1 January 2015		5,197	198,021	66,978	(42,141)	26,992	95	346,624	25,418	10,862	(65,324)	2,344,365	2,917,087	–	2,917,087
Profit for the year (Restated)		–	–	–	–	–	–	–	–	–	–	250,687	250,687	41,860	292,547
Other comprehensive income for the year:															
Exchange differences on translation of foreign operations (Restated)		–	–	–	–	–	–	–	–	–	32,645	–	32,645	15,757	48,402
Exchange differences on net investment in a foreign operation		–	–	–	–	–	–	–	–	–	70,560	–	70,560	–	70,560
Total comprehensive income for the year		–	–	–	–	–	–	–	–	–	103,205	250,687	353,892	57,617	411,509
Transfer to statutory reserve funds		–	–	–	–	–	–	11,602	–	–	–	(11,602)	–	–	–
Acquisition of subsidiaries	39	–	–	–	–	–	–	–	–	–	–	–	–	252,592	252,592
Issuance of new shares for the acquisition of a subsidiary		168	226,799	–	–	–	–	–	–	–	–	–	226,967	–	226,967
Equity-settle share option arrangements		22	19,005	–	–	–	–	–	(18,504)	–		696	1,219	–	1,219
Equity-settled share award schemes	36	–	–	–	–	–	–	–	–	(9,963)	–	–	(9,963)	–	(9,963)
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	–	(1,118)	(1,118)
Final 2014 dividend declared		–	–	–	–	–	–	–	–	–	–	(196,050)#	(196,050)	–	(196,050)
At 31 December 2015 (Restated)		5,387	443,825*	66,978	(42,141)*	26,992*	95*	358,226*	6,914*	899*	37,881*	2,388,096*	3,293,152	309,091	3,602,243

* These reserve accounts comprise the consolidated other reserves of RMB3,131,627,000 (2015 (Restated): RMB3,220,787,000) in the consolidated statement of financial position.

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

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,456,520**	502,748
Adjustments for:			
Bank interest income	5	**(42,187)**	(108,520)
Interest income from loans and bonds receivables	5	**(11,476)**	(10,177)
Finance costs	6	**468,287**	154,022
Share of losses of an associate		**5,012**	387
Depreciation	7	**75,306**	58,629
Amortisation of intangible assets	7	**95,182**	28,258
Amortisation of prepaid land lease payments	7	**1,478**	1,478
Loss on disposal of items of property, plant and equipment and intangible assets	7	**4,265**	4,355
Provision for/(reversal of) equity-settled share option expense	7	**33,004**	(10,619)
Provision for/(reversal of) equity-settled share award expense	7	**29,968**	(9,963)
Fair value (gains)/losses on derivative financial instruments, net	7	**(160,416)**	18,490
Changes in carrying amount of financial liabilities associated with put options	7	**21,163**	–
Impairment of trade receivables	7	**10,135**	3,936
Write-down of inventories to net realisable value	7	**194,012**	7,694
		2,180,253	640,718
(Increase)/decrease in inventories		**(103,079)**	34,707
Decrease/(increase) in trade and bills receivables		**121,871**	(169,829)
(Increase)/decrease in prepayments, deposits and other receivables		**20,845**	(14,766)
Decrease in trade and bills payables		**(100,229)**	(135,831)
(Decrease)/increase in other payables and accruals		**(176,365)**	288,432
Decrease in rental deposits		**964**	1,905
Cash generated from operations		**1,944,260**	645,336
Corporate income tax paid		**(401,067)**	(279,604)
Net cash flows from operating activities		**1,543,193**	365,732

Consolidated Statement of Cash Flows

Year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
Net cash flows from operating activities		1,543,193	365,732
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(83,743)	(109,040)
Proceeds from disposal of items of property, plant and equipment		8,229	179
Additions to intangible assets	15	(4,643)	(3,711)
Residual payment in relation to the Acquisition (as defined in note 1)		(131,956)	–
Deposit paid for the proposed acquisition of non-controlling interests		(509,755)	–
Acquisition of subsidiaries	39	(118,849)	(5,998,869)
Repayment of loans receivable		16,888	15,246
Loan advanced to an associate	20	(40,000)	–
Repayment of loan from an associate	20	40,000	–
Interest received		149,207	39,402
(Increase)/decrease in time deposits with original maturity of three months or more when acquired	24	(131,033)	817,000
Decrease in time deposits with maturity date after one year	24	70,159	1,076,024
Net cash flows used in investing activities		(735,496)	(4,163,769)
CASH FLOWS FROM FINANCING ACTIVITIES			
Exercise of share options	35	4,581	11,838
New bank loans		2,918,340	4,740,450
Decrease/(increase) in pledged deposits for bank loans	24	1,927,000	(1,927,000)
Repayment of bank loans		(5,104,664)	–
Repurchase of convertible bonds		(1,649,465)	–
Issuance of senior notes, net of transaction costs		2,575,085	–
Increase in pledge deposits for senior notes		(950,805)	–
Increase in restricted deposits for bills issue	24	(7,824)	–
Interest paid		(356,797)	(57,622)
Dividends paid		–	(196,050)
Dividends paid to non-controlling shareholders		(12,964)	(1,118)
Net cash flows (used in)/from financing activities		(657,513)	2,570,498
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		150,184	(1,227,539)
Cash and cash equivalents at beginning of year		1,115,235	2,447,157
Effect of foreign exchange rate changes, net		26,751	(104,383)
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,292,170	1,115,235
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	1,292,170	1,115,235

Notes to Financial Statements

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 approximate 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 statements of Swisse from 30 September 2015. Details of Swisse's contribution to the Group's revenue and operating results for the year are set out in note 4 to these financial statements.

On 15 December 2016, pursuant to a share sale agreement, the Group conditionally agreed to acquire the remaining 17% effective equity interest in Swisse via the acquisition of the same percentage equity interest in Biostime Healthy Australia Holdings Pty Ltd ("Biostime Australia Holdings"), the intermediate holding company of Swisse, (the "17% Acquisition") at a cash consideration of 311,300,000 in Australian dollars ("AUD") (equivalent to approximately 1,561,387,000 in Renminbi ("RMB")). The completion of the 17% Acquisition subsequently took place on 7 February 2017. Since then, Swisse became a wholly-owned subsidiary of the Group. Further details of the 17% Acquisition has been contained in note 31 to these 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.

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital[ø]	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
BiosTime, Inc. (Guangzhou) ("Biostime Guangzhou")*	The People's Republic of China ("PRC")/Mainland China	US$73,010,000	100%	–	Research, development, processing of meat, fruit and vegetable powder and candy, sale of nutritional food, milk formulas and personal care products for infants and adults
Biostime (Guangzhou) Health Products Limited ("Biostime Health")*	PRC/Mainland China	US$34,100,000	100%	–	Research, development, manufacture and sale of health products and special nutritional foods
BMcare Baby Products Inc. (Guangzhou) ("BMcare Guangzhou")*	PRC/Mainland China	US$1,000,000	100%	–	Wholesale, retail and import and export of personal care products for infants

Notes to Financial Statements

31 December 2016

1. CORPORATE AND GROUP INFORMATION (Continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital°	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Biostime Hong Kong Limited ("Biostime HK")	Hong Kong	HK$126,534,300	–	100%	Investment holding, international investment, trading and sales
Biostime France	France	EUR100,000	–	100%	Overseas investments, financing and other business cooperation
Adimil (Changsha) Nutrition Products Limited ("Changsha Adimil")	PRC/Mainland China	RMB301,664,588	–	100%	Manufacture of infant formula products
Guangzhou Hapai Information Technology Co., Ltd. ("Guangzhou Hapai")*	PRC/Mainland China	US$10,000,000	–	100%	Software and information technology services
Guangzhou Mama100 E-commerce Co., Limited ("Mama100 E-commence")**	PRC/Mainland China	RMB10,000,000	–	100%	Online sales, software and information technology services
Healthy Times. Inc. ("Healthy Times")	America	US$1,000	–	100%	Manufacture of organic baby foods and baby care products
Biostime Healthy Hong Kong Limited	Hong Kong	AUD1	–	100%	Overseas investments, financing and other business cooperation
Biostime Healthy Australia Pty Ltd ("Biostime Australia")	Australia	AUD1	–	100%	Overseas investments, financing and other business cooperation
Biostime Pharma	France	EUR10,000	100%	–	Trading of infant food and nutritional products
Biostime (Guangzhou) Education Management Inc. ("Biostime Education")*	PRC/Mainland China	US$2,000,000	–	100%	Early childhood education advisory business and trading of related baby suppliers
Biostime Australia Holdings	Australia	AUD1	–	83%	Overseas investments, financing and other business cooperation
Biostime Healthy Australia Investment Pty Ltd ("Biostime Australia Investment")	Australia	AUD1	–	83%	Investment holding, financing and other business cooperation
Swisse	Australia	AUD6,963,111	–	83%	Investment holding, financing and other business cooperation

1. CORPORATE AND GROUP INFORMATION (Continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital°	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Swisse Wellness Pty Ltd	Australia	AUD100	–	83%	Research, development, procurement and sale of vitamins, health supplements, skin care and sports nutrition products for adults
S W International Pty Ltd	Australia	AUD100	–	83%	Investment holding, international investment, trading and sales
Swisse Wellness Pty Ltd (NZ)	New Zealand	NZD10,100	–	83%	Trading and sales of vitamins, health supplements, skin care and sports nutrition products for adults
Swisse Wellness (UK) Limited	United Kingdom	GBP1	–	83%	Trading and sales of vitamins, health supplements, skin care and sports nutrition products for adults
Swisse China Limited	Hong Kong	HK$1	–	83%	Trading and sales of vitamins, health supplements, skin care and sports nutrition products for adults
Swisse Wellness (Guangzhou) Limited*	PRC/Mainland China	RMB1,500,000		83%	Trading and sales of vitamins, health supplements, skin care and sports nutrition products for adults

Notes to Financial Statements

31 December 2016

1. CORPORATE AND GROUP INFORMATION (Continued)

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

Name	Place of incorporation/ registration and operations	Issued ordinary/ registered share capital[ø]	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
S W Productions Holdings Pty Ltd ("SW Productions Holdings")	Australia	AUD1	–	83%	Packaging service
S W Translink Packaging Pty Ltd	Australia	AUD1	–	83%	Packaging service
Noisy Beast Pty Ltd[#]	Australia	AUD5,000	–	39%	Digital media and advertising
Noisy Beast UK Limited[#]	United Kingdom	GBP100	–	39%	Digital media and advertising
AB Pharma SAS ("AB Pharma")	France	EUR7,350,372	–	100%	Marketing and distribution of baby products
Laboratoires Polivé SAS	France	EUR3,817,600	–	100%	Research of baby products

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

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

Noisy Beast Pty Ltd. and Noisy Beast UK Limited are accounted for as subsidiaries of the Group even though the Group has less than 50% equity interests in these companies based on the reasons detailed in note 3 to these financial statements.

ø The currency abbreviations shown above stand for the relevant currencies listed below:

US$ stands for United States dollars;
HK$ stands for Hong Kong dollars;
EUR stands for Euros;
NZD stands for New Zealand dollars; and
GBP stand for Great British pounds.

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

2.1 BASIS OF PREPARATION

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

These financial statements have been prepared under the historical cost convention except for derivative financial instruments which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

The Group had net current liabilities of approximately RMB804,705,000 as at 31 December 2016. Included in the Group's current liabilities as at 31 December 2016 were financial liabilities associated with put options of RMB1,561,387,000 which were classified as current liabilities in contemplation of the 17% Acquisition detailed in note 31.

Taking into account the financial resources of the Group, including the anticipated operating cash flows and the Group's unutilised committed banking facility from an international financial institution which was made available to the Group for the purpose of financing the 17% Acquisition, the directors of the Company are of the opinion that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operation and meet its liabilities as and when they fall due. Accordingly, these financial statements have been prepared on a going concern basis.

On 23 January 2017, the Company issued senior notes due 21 June 2021 with an aggregate principal amount of US$200,000,000. The net proceeds of the senior notes have been used, together with the Group's cash on hand, to fund the 17% Acquisition which was completed on 7 February 2017.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

Notes to Financial Statements

31 December 2016

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[2]
IFRS 9	*Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[2]
IFRS 16	*Leases*[3]
Amendments to IAS 7	*Disclosure Initiative*[1]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*[2]
Amendment to IAS 40	*Transfers to Investment Property*[2]
Amendments to IFRS12 included in Annual improvements 2014-2016 Cycle	Disclosure of Interests in Other Entities[1]
Amendments to IFRS1 included in Annual improvements 2014-2016 Cycle	First-time Adoption of international Financial Reporting Standards[2]
Amendments to IAS28 included in Annual improvements 2014-2016 Cycle	Investment in Associates and Joint Ventures[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 No mandatory effective date yet determined but available for adoption

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

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

The IASB issued amendments to IFRS 2 in June 2016 that address what diversity in practice in three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

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. During the year, the Group performed a high-level assessment of the impact of the adoption of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of IFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of IFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value.

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

(b) Impairment

IFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under IFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of IFRS 9.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance. The Group expects to adopt IFRS 15 on 1 January 2018. During the year ended 31 December 2016, the Group performed a preliminary assessment on the impact of the adoption of IFRS15.

IFRS 16 replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 Operating Leases – Incentives and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt IFRS 16 on 1 January 2019 and is currently assessing the impact of IFRS 16 upon adoption.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in an associate

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

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

Business combinations and goodwill

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

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

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

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

Fair value measurement

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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

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

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

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill)

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

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

Trademarks and brand names

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

Licence

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

Customer relationships/royalty agreement/unpatented product formula

Customer relationships, royalty agreement and unpatented product formula acquired in a business combination are recognised at fair value at the acquisition date. These assets are carried at cost less accumulated amortisation. Amortisation is calculated on the straight-line basis to write off the cost of each of these intangible assets with finite life over its respective estimated useful life of:

	Years
Customer relationships	5–14
Royalty agreement	8
Unpatented product formula	15

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Computer software

Computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

Research and development costs

All research costs are charged to profit or loss as incurred.

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

Leases

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Loans and receivables

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

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in other expenses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, derivative financial instruments, financial liabilities associated with put options, convertible bonds, senior notes and interest-bearing bank loans.

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

Financial liabilities at fair value through profit or loss

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Loans and borrowings

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

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

Convertible bonds

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

When the Group extinguishes the convertible bonds before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the Group allocates the consideration paid and any transaction costs for the repurchase or redemption to the liability and equity components of the instrument 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 Group when the convertible bonds were issued. Gain or loss relating to the equity components is recognised in equity while gain or loss relating to the liability component is recognised in profit or loss.

Financial liabilities associated with put options

Put options are financial instruments granted by the Group whereby counterparties may have the rights to request the Group to purchase their equity interests in the Group's non-wholly owned subsidiaries for cash or other financial assets when certain conditions are met. If the Group does not have the unconditional right to avoid delivering cash or other financial assets under the put option, the Group has to recognise a financial liability at the present value of the estimated future cash outflows under the put option. The financial liability is initially recognised at fair value. Subsequently, if the Group revises its estimates of payments, the Group adjusts the carrying amount of the financial liability to reflect actual and revised estimated cash outflows. At the end of each reporting period, the Group recalculates the carrying amount by computing the present value of revised estimated future cash outflows at the financial instrument's original effective interest rate and adjustment to its carrying amount is to be recognised as income or expenses in profit or loss. If the put option expires without being exercised, the carrying amount of the liability is reclassified as equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities

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

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

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward contracts, interest rate swaps, cross currency swaps and cross currency interest rate swaps to manage its interest rate risk and foreign currency risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments and hedge accounting (Continued)

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in profit or loss.

Amounts recognised in other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

Inventories

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

Cash and cash equivalents

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

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

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

Customer loyalty program

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

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

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

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

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

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

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

Revenue recognition

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

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

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

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

Share-based payment

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

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted. Further details of fair values are given in notes 35 and 36 to these financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment (Continued)

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

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

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

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

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

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment (Continued)

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

Other employee benefits

Pension schemes

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

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

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

The functional currency of the Company is the HK$ while the presentation currency of the Company for the financial statements is the RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the profit or loss.

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of the entities are translated into RMB at the exchange rates ruling at the end of the reporting period and their profits or losses are translated into RMB at the weighted average exchange rate for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

Notes to Financial Statements

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

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

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

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

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

If the inter-company loan is considered to be repaid in the foreseeable future and is not designated as the Company's net investment in a foreign operation, the foreign exchange difference included in the other expenses and the exchange fluctuation reserve would have been increased by the same amount of approximately RMB23,449,000.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Tax provisions

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes worldwide. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group carefully evaluates the tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is assessed periodically to take into account all the changes in the tax legislation and practices.

Deferred tax assets

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

Deferred tax liabilities

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

If those undistributed earnings of the subsidiaries in Mainland China are considered to be repatriated and distributed by way of dividends, the deferred income tax charge and deferred income tax liability would have been increased by the same amount of approximately RMB5,463,000 (note 32).

Estimation uncertainties

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGUs to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs and also a suitable discount rate to calculate the present value of those cash flows. Further details are set out in note 16 to these financial statements.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainties (Continued)

Impairment of trademarks and brand names

The Group determines whether the trademarks and brand names are impaired at least on an annual basis. This requires an estimation of the value in use of the trademarks and brand names. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the trademarks and brand names and also a suitable discount rate to calculate the present value of those cash flows. Further details are set out in note 16 to these financial statements.

Provision for obsolete and slow-moving inventories

Management reviews the aged analysis of inventories of the Group at the end of each reporting period, and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale or that will be sold below cost. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions.

As at 31 December 2016, the carrying amounts of inventories were approximately RMB775,356,000 (2015: RMB856,224,000) after netting off the allowance for inventories of approximately RMB213,763,000 (RMB19,752,000).

Deferred income

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

Impairment of loans and receivables

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainties (Continued)

Fair value of derivative financial instruments

Where fair value of derivative financial instruments cannot be derived from active markets, they are determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement including considerations of inputs such as liquidity risk, credit spread and volatility. Changes in assumptions about these factors could affect the reported fair value of derivative financial instruments. The fair value of the Group's derivative financial instruments are disclosed in note 27 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. In previous year, 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 year, 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.

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 results of an associate, finance costs as well as head office and corporate expenses are excluded from this measurement.

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4. OPERATING SEGMENT INFORMATION (Continued)

Operating segment information for the year ended 31 December 2016:

	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	3,203,601	2,682,526	619,489	–	6,505,616
Segment results	2,105,436	1,542,142	411,489	–	4,059,067
Reconciliations:					
Interest income					53,663
Other income and unallocated gains					270,009
Share of loss of an associate					(5,012)
Corporate and other unallocated expenses					(2,452,920)
Finance costs					(468,287)
Profit before tax					1,456,520
Other segment information:					
Depreciation and amortisation	1,733	93,914	4,566	71,753	171,966
Impairment of trade receivables	–	9,857	278	–	10,135
Write-down of inventories to net realisable value	112,915	75,679	5,418	–	194,012
Capital expenditure*	5,847	53,062	37,711	6,515	103,135

4. OPERATING SEGMENT INFORMATION (Continued)

Operating segment information for the year ended 31 December 2015:

	Infant formulas RMB'000	Adult nutrition and care products RMB'000	Other pediatric products RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	3,355,849	849,903	612,809	–	4,818,561
Segment results	2,124,119	520,916	339,530	–	2,984,565
Reconciliations:					
Interest income					118,697
Other income and unallocated gains					25,300
Share of loss of an associate					(387)
Corporate and other unallocated expenses (Restated)					(2,471,405)
Finance costs					(154,022)
Profit before tax (Restated)					502,748
Other segment information:					
Depreciation and amortisation (Restated)	10,421	21,683	4,567	51,694	88,365
Impairment of trade receivables	–	3,936	–	–	3,936
Write-down/(write-back) of inventories to net realisable value	1,855	6,695	(856)	–	7,694
Capital expenditure* (Restated)	23,068	2,632,071	98,963	39,551	2,793,653

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

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4. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

(a) *Revenue from external customers*

	2016 RMB'000	2015 RMB'000
Mainland China	4,155,455	3,973,925
Australia	2,070,954	756,404
Other locations*	279,207	88,232
	6,505,616	4,818,561

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

(b) *Non-current assets*

	2016 RMB'000	2015 RMB'000 (Restated)
Mainland China	621,752	758,464
Australia	2,887,575	2,763,024
Other locations*	124,898	32,606
	3,634,225	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.

* Including the special administrative regions of the PRC.

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 year.

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

	2016 RMB'000	2015 RMB'000
Revenue		
Sale of goods	6,505,616	4,818,561
Other income and gains		
Bank interest income	42,187	108,520
Interest income from loans and bonds receivables	11,476	10,177
Service income	93	988
Foreign exchange gains	99,141	–
Fair value gains on derivative financial instruments, net	160,416	–
Government subsidies*	7,179	17,348
Others	3,180	6,964
	323,672	143,997

* There are no unfulfilled conditions or contingencies related to these government subsidies.

6. FINANCE COSTS

	2016 RMB'000	2015 RMB'000
Interest on bank loans, senior notes and convertible bonds	397,842	154,022
Bank charges	52,442	–
Loss on repurchase of convertible bonds	18,003	–
	468,287	154,022

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7. PROFIT BEFORE TAX

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

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
Cost of inventories sold		2,252,537	1,826,302
Depreciation	12	75,306	58,629
Amortisation of intangible assets	15	95,182	28,258
Amortisation of prepaid land lease payments	13	1,478	1,478
Auditor's remuneration		5,832	4,006
Research and development costs**		77,247	83,980
Minimum lease payments under operating leases		53,174	52,124
Loss on disposal of items of property, plant and equipment and intangible assets		4,265	4,355
Employee benefit expenses (including directors' and chief executive's remuneration) (note 8(a)):			
Wages and salaries		670,886	552,093
Pension scheme contributions (defined contribution schemes)		102,405	112,743
Staff welfare and other expenses		18,435	59,848
Provision for/(reversal of) equity-settled share option expense	35	33,004	(10,619)
Provision for/(reversal of) equity-settled share award expense	36	29,968	(9,963)
		854,698	704,102
Foreign exchange differences, net		(99,141)*	88,518**
Fair value (gains)/losses on derivative financial instruments, net		(160,416)*	18,490**
Changes in carrying amount of financial liabilities associated with put options**	31	21,163	–
Impairment of trade receivables**	22	10,135	3,936
Write-down of inventories to net realisable value#		194,012	7,694
Loss on repurchase of convertible bonds	29	18,003	–

* Included in "Other income and gains" in profit or loss.

** Included in "Other expenses" in profit or loss.

\# Included in "Cost of sales" in profit or loss.

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

(a) Directors' and chief executive's remuneration

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

	2016 RMB'000	2015 RMB'000
Fees	1,534	1,780
Other emoluments:		
Salaries, allowances and benefits in kind	13,091	9,501
Performance-related bonuses	–	363
Provision for/(reversal of) equity-settled share option expense	1,694	(699)
Provision for/(reversal of) equity-settled share award expense	6,260	(343)
Pension scheme contributions	74	152
	21,119	8,974
	22,653	10,754

During the year and in prior years, share options and share awards were granted to certain directors and chief executive in respect of their services to the Group, further details of which are set out in notes 35 and 36 to these financial statements, respectively. The fair values of these options and share awards, which have been recognised in profit or loss over the vesting period, were determined as at the dates of grant and the amounts included in the financial statements for the current year are included in the above directors' and chief executive's remuneration disclosures.

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

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

The remuneration of each of the directors and the chief executive for the year ended 31 December 2016 is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Equity-settled share award expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2016						
Executive directors:						
Mr. Luo Fei *(Chief executive)*	–	5,046	958	1,886	74	7,964
Mr. Sali Radek#	154	8,045	736	4,374	–	13,309
	154	13,091	1,694	6,260	74	21,273
Non-executive directors:						
Mr. Luo Yun	120	–	–	–	–	120
Mr. Wu Xiong	120	–	–	–	–	120
Mr. Chen Fufang	120	–	–	–	–	120
Dr. Zhang Wenhui	120	–	–	–	–	120
	480	–	–	–	–	480
Independent non-executive directors:						
Mr. Ngai Wai Fung	300	–	–	–	–	300
Mr. Tan Wee Seng	300	–	–	–	–	300
Professor Xiao Baichun	300	–	–	–	–	300
	900	–	–	–	–	900
	1,534	13,091	1,694	6,260	74	22,653

Mr. Sali Radek was appointed as an executive director of the Company on 21 January 2016. He has tendered his resignation as an executive director of the Company with effect from 31 December 2016.

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

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

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

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

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

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

There were no other emoluments payable to the independent non-executive directors during the year (2015: Nil).

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

(b) Five highest paid employees

The five highest paid employees during the year included two (2015: two) directors, details of whose remuneration are set out in note 8(a) above. Details of the remuneration for the year of the remaining three (2015: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	8,538	7,135
Performance-related bonuses	6,335	3,246
Provision for/(reversal of) equity-settled share option expense	2,218	(476)
Provision for/(reversal of) equity-settled share award expense	4,261	(330)
Pension scheme contributions	100	151
	21,452	9,726

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

	Number of employees 2016	2015
HK$3,500,001 to HK$4,000,000	–	1
HK$4,000,001 to HK$5,000,000	–	2
HK$5,000,001 to HK$6,000,000	–	–
HK$6,000,001 to HK$7,000,000	–	–
HK$7,000,001 to HK$8,000,000	2	–
HK$8,000,001 to HK$9,000,000	–	–
HK$9000,001 to HK$10,000,000	1	–
	3	3

During the year and in prior years, share options and share awards were granted to the non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in notes 35 and 36 to these financial statements, respectively. The fair values of these share options and share awards, which have been recognised in profit or loss over the vesting period, were determined as at the dates of grant and the amount included in the financial statements for the current year are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

9. INCOME TAX

	2016 RMB'000	2015 RMB'000 (Restated)
Current – Charge for the year		
Mainland China	**322,235**	128,777
Hong Kong	**5,686**	3,271
Australia	**175,461**	5,330
Elsewhere	**16,759**	935
Deferred (note 32)	**(115,583)**	71,888
Total tax charge for the year	**404,558**	210,201

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% (2015: 25%) on the taxable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Australia corporate income tax

Australia corporate income tax has been provided at the rate of 30% (2015: 30%) on the estimated assessable profits arising in Australia.

Tax consolidation legislation

Biostime Australia Holdings, Biostime Australia Investment, Swisse and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Biostime Australia Holdings, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Biostime Australia Holdings also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

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9. INCOME TAX (Continued)

Australia corporate income tax (Continued)

Tax consolidation legislation (Continued)

The entities have also entered into a tax funding arrangement under which the wholly-owned entities fully compensate Biostime Australia Holdings for any current tax payable assumed and are compensated by Biostime Australia Holdings for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Biostime Australia Holdings under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding arrangement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

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

	2016 **RMB'000**	2015 RMB'000 (Restated)
Profit before tax	**1,456,520**	502,748
Tax at the applicable PRC enterprise income tax rate	**364,130**	125,687
Overseas tax differential	**63,454**	29,270
Tax effects on preferential tax rates	**(4,586)**	–
Expenses not deductible for tax	**72,171**	50,801
Tax losses utilised from previous periods	**(89,141)**	(8,322)
Income not subject to tax	**(107,516)**	(8,514)
Tax losses not recognised	**10,745**	17,691
Adjustment in respect of current tax of previous periods	**–**	(1,423)
Effect of withholding tax at 5% (2015: 5%) on the distributable profits of the Group's subsidiaries in Mainland China	**95,301**	5,011
Tax charge at the Group's effective rate	**404,558**	210,201

10. DIVIDENDS

No interim or final dividend was proposed during year ended 31 December 2016 (2015: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the adjusted weighted average number of ordinary shares of 626,939,496 (2015: 610,508,776) in issue during the year.

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

	2016 RMB'000	2015 RMB'000 (Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	954,396	250,687
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue	630,353,639	613,925,551
Weighted average number of shares held for the share award schemes	(3,414,143)	(3,416,775)
Adjusted weighted average number of ordinary shares in issue used in the basic earnings per share calculation	626,939,496	610,508,776
Effect of dilution – weighted average number of ordinary shares: Share options and awarded shares	9,116,398	10,983,717
Adjusted weighted average number of ordinary shares in issue used in the diluted earnings per share calculation	636,055,894	621,492,493

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12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improve-ments RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2016	274,199	221,430	120,762	51,496	51,088	26,104	745,079
Acquisition of subsidiaries *(note 39)*	–	15,032	1,736	504	1,603	347	19,222
Additions	1,369	9,657	5,855	355	14,630	28,965	60,831
Disposals	–	(5,630)	(10,570)	(30,645)	(19,296)	(252)	(66,393)
Transfers	–	1,776	1,681	–	26,531	(32,338)	(2,350)*
Exchange alignment	–	2,022	484	30	794	125	3,455
At 31 December 2016	275,568	244,287	119,948	21,740	75,350	22,951	759,844
Accumulated depreciation:							
At 1 January 2016	16,159	56,579	78,567	30,468	16,311	–	198,084
Acquisition of subsidiaries *(note 39)*	–	6,273	858	–	–	–	7,131
Depreciation provided during the year	13,309	23,794	18,142	3,898	16,163	–	75,306
Disposals	(5,348)	(4,456)	(4,000)	(21,133)	(19,089)	–	(54,026)
Exchange alignment	–	1,818	224	36	74	–	2,152
At 31 December 2016	24,120	84,008	93,791	13,269	13,459	–	228,647
Net carrying amount:							
At 31 December 2016	251,448	160,279	26,157	8,471	61,891	22,951	531,197

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improve-ments RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2015	89,351	72,169	100,814	46,929	14,747	268,713	592,723
Acquisition of subsidiaries *(note 39)*	–	34,510	8,848	662	12,725	6,095	62,840
Additions	1,624	12,518	14,169	4,382	12,433	64,297	109,423
Disposals	–	(6,301)	(7,016)	(517)	(9,425)	–	(23,259)
Transfers	183,224	106,489	3,420	–	19,837	(313,367)	(397)*
Exchange alignment	–	2,045	527	40	771	366	3,749
At 31 December 2015	274,199	221,430	120,762	51,496	51,088	26,104	745,079
Accumulated depreciation:							
At 1 January 2015	4,960	15,925	56,910	22,944	13,952	–	114,691
Acquisition of subsidiaries *(note 39)*	–	29,225	6,081	598	5,333	–	41,237
Depreciation provided during the year	11,199	15,648	21,482	7,699	2,601	–	58,629
Disposals	–	(5,991)	(6,276)	(809)	(5,900)	–	(18,976)
Exchange alignment	–	1,772	370	36	325	–	2,503
At 31 December 2015	16,159	56,579	78,567	30,468	16,311	–	198,084
Net carrying amount:							
At 31 December 2015	258,040	164,851	42,195	21,028	34,777	26,104	546,995

* During the year ended 31 December 2016, construction in progress, amounting to RMB2,350,000 (2015: RMB397,000), was transferred to intangible assets, as disclosed in note 15 to these financial statements.

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13. PREPAID LAND LEASE PAYMENTS

	2016 RMB'000	2015 RMB'000
Carrying amount at 1 January	**63,243**	64,721
Recognised during the year *(note 7)*	**(1,478)**	(1,478)
Carrying amount at 31 December	**61,765**	63,243
Current portion included in prepayments, deposits and other receivables *(note 23)*	**(1,478)**	(1,478)
Non-current portion	**60,287**	61,765

14. GOODWILL

	2016 RMB'000	2015 RMB'000 (Restated)
Cost and carrying amount:		
At 1 January	**4,937,296**	76,000
Acquisition of subsidiaries (note 39)	**69,058**	4,593,425
Exchange alignment	**297,238**	267,871
At 31 December	**5,303,592**	4,937,296

Impairment testing of goodwill

Details of the impairment testing of goodwill have been set out in note 16 to these financial statements.

15. INTANGIBLE ASSETS

	Trademark and brand name* RMB'000	Licence RMB'000	Customer relationships RMB'000	Royalty agreement RMB'000	Unpatented product formula RMB'000	Computer software and others RMB'000	Total RMB'000
Cost:							
At 1 January 2016 (Restated)	1,794,984	103,780	855,159	84,610	52,446	48,023	2,939,002
Acquisition of subsidiaries *(note 39)*	22,916	2,036	618	–	–	–	25,570
Additions	1,633	–	–	–	–	3,010	4,643
Transfer from construction in progress	–	–	–	–	–	2,350	2,350
Disposals	(112)	–	–	–	–	(2,299)	(2,411)
Exchange alignment	109,793	(30)	52,210	5,156	3,196	558	170,883
At 31 December 2016	1,929,214	105,786	907,987	89,766	55,642	51,642	3,140,037
Accumulated amortisation:							
At 1 January 2016 (Restated)	–	11,532	16,278	2,644	874	11,058	42,386
Amortisation provided during the year	–	6,952	65,480	11,062	3,657	8,031	95,182
Disposals	–	–	–	–	–	(2,284)	(2,284)
Exchange alignment	–	16	2,018	320	106	407	2,867
At 31 December 2016	–	18,500	83,776	14,026	4,637	17,212	138,151
Net carrying amount:							
At 31 December 2016	1,929,214	87,286	824,211	75,740	51,005	34,430	3,001,886

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15. INTANGIBLE ASSETS (Continued)

	Trademarks and brand names* RMB'000	Licence RMB'000	Customer relationships RMB'000	Royalty agreement RMB'000	Unpatented product formula RMB'000	Computer software and others RMB'000	Total RMB'000
Cost:							
At 1 January 2015	–	103,780	–	–	–	9,103	112,883
Acquisition of subsidiaries (Restated) *(note 39)*	1,692,884	–	806,572	79,805	49,467	7,734	2,636,462
Additions	130	–	–	–	–	31,116	31,246
Transfer from construction in progress	–	–	–	–	–	397	397
Disposals	–	–	–	–	–	(793)	(793)
Exchange alignment	101,970	–	48,587	4,805	2,979	466	158,807
At 31 December 2015 (Restated)	1,794,984	103,780	855,159	84,610	52,446	48,023	2,939,002
Accumulated amortisation:							
At 1 January 2015	–	5,766	–	–	–	3,007	8,773
Acquisition of subsidiaries *(note 39)*	–	–	–	–	–	5,082	5,082
Amortisation provided during the year (Restated)	–	5,766	15,869	2,578	852	3,193	28,258
Disposals	–	–	–	–	–	(542)	(542)
Exchange alignment	–	–	409	66	22	318	815
At 31 December 2015 (Restated)	–	11,532	16,278	2,644	874	11,058	42,386
Net carrying amount:							
At 31 December 2015 (Restated)	1,794,984	92,248	838,881	81,966	51,572	36,965	2,896,616

* There are three trademarks and brand names which are regarded as having indefinite useful lives as they are expected to generate net cash inflows to the Group indefinitely. As at 31 December 2016 and 2015, the trademarks with indefinite useful lives were tested for impairment. Details of the impairment test have been set out in note 16 to these financial statements.

16. IMPAIRMENT TESTING OF GOODWILL AND TRADEMARKS AND BRAND NAMES WITH INDEFINITE LIVES

Goodwill and trademarks and brand names with indefinite lives acquired through business combinations have been allocated to the following cash generating units ("CGUs") for impairment testing:

- Infant formulas;
- Adult nutrition and care products;
- Dried baby food and nutrition supplements; and
- Baby care products.

The respective carrying amounts of goodwill and trademarks and brand names with indefinite useful lives allocated to each of the above CGUs are set out below:

	2016		2015	
	Goodwill RMB'000	**Trademarks and brand names RMB'000**	Goodwill RMB'000 (Restated)	Trademarks and brand names RMB'000 (Restated)
Infant formulas	**76,000**	**–**	76,000	–
Adult nutrition and care products	**5,119,472**	**1,882,109**	4,821,473	1,774,107
Dried baby food and nutrition supplements	**42,540**	**23,936**	39,823	20,877
Baby care products	**65,580**	**23,169**	–	–
	5,303,592	**1,929,214**	4,937,296	1,794,984

The recoverable amount of each CGU has been determined based on a value in use calculation using cash flow projection based on financial budgets or forecasts approved by management covering a period of five to eight years. The growth rates used to extrapolate the cash flows beyond the period are based on the estimated growth rate of each unit taking into account the industry growth rate, past experience and the medium or long term growth target of each CGU.

The pre-tax discount rates applied to cash flow projections and the growth rates used to extrapolate cash flows beyond the five-to-eight year period are as follows:

	Discount rate		**Growth rate**	
	2016	2015	**2016**	2015
Infant formulas	**19.4%**	16.7%	**3%**	3%
Adult nutrition and care products*	**18.0%/20.3%**	18.9%/20.8%	**3%**	3%
Dried baby food and nutrition supplements	**15.5%**	17.9%	**3%**	3%
Baby care products	**14.7%**	N/A	**3%**	N/A

* As at 31 December 2016, the discount rates used in the impairment testing of goodwill and trademarks and brand names with indefinite useful lives are 18.0% (2015: 18.9%) and 20.3% (2015: 20.8%), respectively.

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16. IMPAIRMENT TESTING OF GOODWILL AND TRADEMARKS AND BRAND NAMES WITH INDEFINITE LIVES (Continued)

Assumptions were used in the value in use calculation of each CGU as at 31 December 2016 and 2015. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill and trademarks and brand names with indefinite lives:

Budgeted sales amounts – The budgeted sales amounts are based on the historical sales data and market outlook perceived by management.

Budgeted gross margins – The bases used to determine the values assigned to the budgeted gross margins are the average gross margins achieved in the year immediately before the budget year, adjusted for expected efficiency gains and expected market development.

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

Budgeted raw materials purchase prices – The bases used to determine the values assigned to budgeted raw materials purchase prices are the forecasted price indices during the budget year for those countries where raw materials are sourced.

The values assigned to the key assumptions on market development of the CGUs, discount rates and raw materials purchase prices are consistent with external information sources.

In the opinion of the Company's directors, any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the CGU's carrying amount to exceed its recoverable amount.

17. BONDS RECEIVABLE

	2016 **RMB'000**	2015 RMB'000
Bonds receivable	**127,701**	124,003

The Group entered into a bond subscription agreement with Isigny Sainte Mère ("ISM") (the "Bond Subscription Agreement") on 30 July 2013, pursuant to which ISM issued, and the Group subscribed for 17,477,075 bonds, with a nominal value of EUR1 per bond, in three separate tranches, at a subscription price equivalent to the face value of the bond. As at 31 December 2016, the Group continued to hold the bonds it had subscribed for.

The bonds bear interest at a rate of 5% per annum. The bonds will mature on 30 July 2023, ten years from the date of the Bond Subscription Agreement.

18. LOANS RECEIVABLE

	2016 RMB'000	2015 RMB'000
Current portion of loans receivable	27,084	21,984
Loans receivable due after one year	48,789	54,896
Total loans receivable	75,873	76,880

	Effective interest rate	Maturity	2016 RMB'000	2015 RMB'000
Denominated in US$	3.00%	By instalments before December 2018	38,156	27,348
Denominated in Danish Krones (the "DKK")	DKK CIBOR rate +1%	By instalments before January 2017	37,717	49,532
Total loans receivable			75,873	76,880

Loans receivable represent loans provided to certain suppliers for the purposes of financing their production capacity expansion to fulfil the purchase requirements of the Group and are repayable by instalments.

The US$ denominated loan receivable is convertible at the option of the Company at any time before maturity into equity interest of the supplier, which may not exceed 49% of the outstanding equity interest of that supplier. The loan is redeemable under certain circumstances before maturity. Accordingly, this loan is separated into two components: the debt element and the conversion option element. The Group has classified the debt element and the conversion option element as loan receivable and derivative financial instrument, respectively. Details of the conversion option element are included in note 27 to these financial statements.

The carrying amounts of the current portion and non-current portion of the loans receivable approximate to their fair values.

19. DEPOSITS

	2016 RMB'000	2015 RMB'000
Deposits paid for purchase of items of property, plant and equipment	1,223	4,486
Rental deposits	4,439	4,027
	5,662	8,513

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20. INVESTMENT IN AN ASSOCIATE

	2016 RMB'000	2015 RMB'000
Share of net assets	35,193	40,205
Loan to an associate	40,000	40,000

As at 31 December 2015, the loan to an associate was unsecured, interest bearing at a rate of 3% per annum. The loan was fully repaid in October 2016.

During the year, the Group has advanced a new loan to the associate which is secured, bears interest at 4% per annum and is due for repayment on 7 November 2018.

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

Particulars of the associate are as follows:

Name	Particulars of registered capital	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Hangzhou Coamie Personal Care Products Co., Ltd.	RMB100,000,000	PRC/ Mainland China	40%	Manufacture, retail and import and export of baby diapers

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

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

	2016 RMB'000	2015 RMB'000
Share of the associate's losses for the year	5,012	387
Share of the associate's comprehensive losses	5,012	387
Carrying amount of the Group's investment in the associate	35,193	40,205

21. INVENTORIES

	2016 RMB'000	2015 RMB'000
Raw materials	226,310	357,315
Raw materials in transit	60,161	142,104
Work in progress	1,291	4,711
Finished goods	487,594	352,094
	775,356	856,224

22. TRADE AND BILLS RECEIVABLES

	2016 RMB'000	2015 RMB'000
Trade receivables	498,043	625,013
Bills receivable	36,103	3,000
	534,146	628,013
Less: Impairment provision	(17,522)	(5,171)
	516,624	622,842

Advance payment is normally required for sales of the baby nutrition and care products except in limited circumstances for credit sales. Credit sales are usually allowed for the adult nutrition and care products with credit terms of 30 to 60 days from end of month. 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 management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

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

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

	2016 RMB'000	2015 RMB'000
Within 1 month	434,166	289,922
1 to 3 months	79,610	313,809
Over 3 months	2,848	19,111
	516,624	622,842

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22. TRADE AND BILLS RECEIVABLES (Continued)

Receivables that were past due but not impaired, amounting to approximately RMB1,529,000 (2015: Nil), related to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

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

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

	2016 RMB'000	2015 RMB'000
At beginning of year	5,171	–
Acquisition of subsidiaries	1,747	3,819
Impairment losses recognised *(note 7)*	14,060	4,170
Amount written off as uncollectible	–	(2,584)
Impairment losses reversed *(note 7)*	(3,925)	(234)
Exchange realignment	469	–
	17,522	5,171

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB17,522,000 (2015: RMB5,171,000) with a carrying amount before provision of RMB17,522,000 (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.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Prepayments	6,853	4,578
Deposits*	506,003	3,164
Other receivables	67,363	159,732
Prepaid expenses	27,301	50,028
Current portion of prepaid land lease payments *(note 13)*	1,478	1,478
	608,998	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.

* Included in the deposits was an amount of AUD100,000,000 (equivalent to approximately RMB501,570,000) which was paid in connection with the 17% Acquisition.

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

	2016 RMB'000	2015 RMB'000
Cash and bank balances	1,162,170	937,426
Time deposits	344,033	330,968
Pledged deposits	995,498	1,927,000
	2,501,701	3,195,394
Less:		
Non-pledged time deposits with maturity date after one year	–	(70,159)
Pledged deposits for bank loans with maturity date within one year	–	(1,677,000)
Pledged deposits for senior notes	(987,674)	–
Pledged deposits for bank loans with maturity date after one year	–	(250,000)
Restricted deposits for bills issue	(7,824)	–
Cash and cash equivalents as stated in the consolidated statement of financial position	1,506,203	1,198,235
Less:		
Non-pledged time deposits with original maturity of three months or more when acquired	(214,033)	(83,000)
Cash and cash equivalents as stated in the consolidated statement of cash flows	1,292,170	1,115,235
Denominated in RMB *(note)*	1,252,380	2,774,053
Denominated in other currencies	1,249,321	421,341
	2,501,701	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.

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25. TRADE AND BILLS PAYABLES

	2016 RMB'000	2015 RMB'000
Trade payables	**524,459**	610,558
Bills payable	**7,662**	8,153
	532,121	618,711

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

	2016 RMB'000	2015 RMB'000
Within 1 month	**411,358**	370,967
1 to 3 months	**112,389**	220,867
Over 3 months	**8,374**	26,877
	532,121	618,711

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

As at 31 December 2016, included in the trade payables was an amount due to the Group's associate of RMB4,497,000 (2015: RMB5,169,000) which was repayable within 30 days, being a credit period offered by the Group's associate to its major customers.

26. OTHER PAYABLES AND ACCRUALS

	2016 RMB'000	2015 RMB'000
Advances from customers	38,892	50,061
Salaries and welfare payables	68,017	66,702
Accruals	564,168	708,457
Other tax payables	89,295	78,655
Deferred income *(note 33)*	31,324	23,707
Other payables	94,200	226,663
	885,896	1,154,245
Less: Current portion	(862,721)	(1,125,549)
Non-Current portion	23,175	28,696

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

27. DERIVATIVE FINANCIAL INSTRUMENTS

		2016		2015	
	Notes	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Current					
Conversion option embedded in a loan receivable	(a)	2,914	–	2,728	–
Forward currency contracts	(b)	–	3,074	–	5,559
Financial indebtedness adjustment clause related to the Holdco Put Option	(c)	–	–	–	13,446
		2,914	3,074	2,728	19,005
Non-current					
Early redemption option embedded in the senior notes	(d)	55,509	–	–	–
The Swaps (as defined below)	(e)	68,957	–	–	–
Cross currency swaps	(f)	122,285	–	–	–
		246,751	–	–	–

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27. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Notes:

(a) A conversion option is embedded in a loan receivable, details of which are set out in note 18 to these financial statements. The fair value of the conversion option as at 31 December 2016 was RMB2,914,000 (2015: RMB2,728,000). A fair value gain of RMB1,000 was recognised in profit or loss during the year (2015: a loss of RMB2,000).

(b) The Group has entered into various forward currency contracts to manage its exchange rate exposures. These forward currency contracts are not designated for hedge purposes and are measured at fair value through profit or loss. The fair value of the forward currency contracts as at 31 December 2016 was RMB3,074,000 (negative) (2015: RMB5,559,000 (negative)). A fair value gain of RMB2,784,000 was recognised in profit or loss during the year (2015: a loss of 5,421,000).

(c) The financial indebtedness adjustment clause related to the Holdco Put Option (as defined in note 31) has been accounted for as a derivative financial instrument of the Group, further details of which have been set out in note 31 to these financial statements.

(d) An early redemption option is embedded in the senior notes, details of which are set out in note 30 to these financial statements. The fair value of the early redemption option as at 31 December 2016 was RMB55,509,000 (2015: Nil). A fair value gain of RMB25,406,000 was recognised in profit or loss for the year (2015: Nil).

(e) The Group has entered into interest rate swaps, cross currency swaps and cross currency interest rate swaps (collectively the "Swaps") to hedge certain of its exchange rate and interest rate exposures in the current year.

As at 31 December 2016, the Swaps designated for hedge purposes amounted to RMB68,957,000 (2015: Nil). The Swaps are designated as hedging instruments in respect of expected interest and principal payments for a floating rate bank borrowing, denominated in currency other than the functional currency of the Group's subsidiary which is the borrower of that bank borrowing.

The terms of the Swaps have been negotiated to match the terms of that bank borrowing. The cash flow hedges relating to the expected interest and principal payments were assessed to be highly effective and a net gain of RMB905,000 (2015: Nil) was included in the hedging reserve as follows:

	2016 RMB'000
Total fair value gains included in the hedging reserve	62,313
Deferred tax on fair value gains	(18,694)
Reclassified from other comprehensive income and recognised in profit or loss	(61,320)
Deferred tax on reclassifications to profit or loss	18,396
Exchange realignment	210
Net gains on cash flow hedges	905

(f) Cross currency swaps which cannot apply hedge accounting are measured at fair value through profit or loss. The fair value of these cross currency swaps as at 31 December 2016 was RMB122,285,000 (2015: Nil). A fair value gain of RMB117,094,000 was recognised in profit or loss during the year (2015: Nil).

28. INTEREST-BEARING BANK LOANS

	2016			2015		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Secured bank loan	BBSY+margin	Apr-2017	257,325	–	–	–
Secured bank loan	Libor+margin	Apr-2017	292,062	–	–	–
Secured bank loan	–	–	–	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
			549,387			4,740,450
Non-current						
Secured bank loan	BBSY+margin	Apr-2019	1,021,135	–	–	–
Secured bank loan	Libor+margin	Apr-2019	1,221,656	–	–	–
			2,242,791			–
			2,792,178			4,740,450

BBSY stands for Australian Bank Bill Swap Bid Rate
Libor stands for London InterBank Offered Rate

Notes:

(a) As at 31 December 2016, 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 HK, 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, certain subsidiaries' shares are also pledged.

(b) At 31 December 2016, the Group's bank loans were denominated in US$ and AUD at aggregate amounts of RMB1,513,718,000, and RMB1,278,460,000, respectively.

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29. CONVERTIBLE BONDS

On 20 February 2014, the Company issued zero coupon convertible bonds due 20 February 2019 with an aggregate principal amount of HK$3,100,000,000. The convertible bonds have been listed on The Stock Exchange 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 bonds have 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 are convertible into shares at an initial conversion price of HK$90.84 per share. The conversion price is 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 purchased (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 in cash the convertible bonds (the "Offer") and announced to accept for purchase valid tenders of the convertible bonds with an aggregate principal 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 the 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 year, the Company recorded a loss on repurchase of convertible bonds of approximately RMB18,003,000 (2015: Nil) which has been charged to profit or loss.

29. CONVERTIBLE BONDS (Continued)

The movements of the convertible bonds for the years ended 31 December 2016 and 2015 are set out below:

	Liability component RMB'000	Equity component RMB'000	Total RMB'000
At 1 January 2015	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	2,659,057	66,978	2,726,035
Interest charged	72,637	–	72,637
Repurchase of convertible bonds	(1,624,618)	(24,847)	(1,649,465)
Loss on repurchase of convertible bonds charged to profit or loss *(note 7)*	18,003	–	18,003
Transfer to retained profits	–	(17,642)	(17,642)
Exchange alignment	98,540	–	98,540
At 31 December 2016	1,223,619	24,489	1,248,108

The Company, at the option of the bondholders, is required to 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 31 December 2016. All convertible bonds have been subsequently redeemed on 20 February 2017.

30. SENIOR NOTES

On 21 June 2016, the Company issued senior notes due 21 June 2021 with an aggregate principal amount of US$400,000,000. 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 US$250,142,000 (equivalent to approximately HK$1,940,800,000 or RMB1,649,465,000) of the net proceeds of the senior notes were released to repurchase the convertible bonds tendered in the Offer as detailed in note 29 above and to 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.

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30. 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 31 December 2016, the fair value of the early redemption option embedded in the senior notes amounted to RMB55,509,000, details of which are set out in note 27 to these financial statements.

The movements of the senior notes during the year is set out below:

	RMB'000
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 year	104,920
Interest paid during the year	(101,272)
Exchange alignment	137,564
As at 31 December 2016	2,743,874
Less: Current portion	(201,171)
Non-current portion	2,542,703

31. FINANCIAL LIABILITIES ASSOCIATED WITH PUT OPTIONS

In contemplation with the Acquisition, the following three wholly-owned investment holding companies were set up by the Company during the year ended 31 December 2015:

– Biostime Australia Investment; and

– Biostime Australia Holdings, the immediate holding company of Biostime Australia Investment; and

– Biostime Australia, the immediate holding company of Biostime Australia Holdings.

Biostime Australia Investment 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 entry into of the share sale agreement (the "Share Sale Agreement") dated 17 September 2015 in relation to the Acquisition. Under the Roll-Up Call Option Deed, Biostime Australia Investment has the right (the "Roll-up Call Option") 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 Australia Holdings within an agreed period.

31. FINANCIAL LIABILITIES ASSOCIATED WITH PUT OPTIONS (Continued)

Pursuant to the Share Sale Agreement, on completion of the exercise of the Roll-up Call Option, a put option (the "Holdco Put Option" or "Holdco Put Options" as appropriate) is to be granted to each of the Non-controlling Shareholders whereby each Non-controlling Shareholders is given the right to require Biostime Australia to buy all (but not some only) of its shares in Biostime Australia Holdings within an agreed period by giving a put option exercise notice. In the case of an exercise of the Holdco Put Option in the exercise period which immediately follows the third anniversary of the completion of the Acquisition, the fair market value of the relevant shares in Biostime Australia Holdings will be determined on the assumption that the financial indebtedness included in Swisse and its subsidiaries (the "Swisse Group") at such time is the lower of: (i) net debt of the Swisse Group as at the date of such valuation; and (ii) 2.0x times the Swisse Group's consolidated earnings before interest, tax, depreciation and amortisation in the 12 calendar months preceding the date of such valuation (the "Financial Indebtedness Adjustment Clause").

On 14 September 2016, the Roll-up Call Option was exercised and the Holdco Put Options were granted. Consequently, Biostime Australia Investment directly holds the entire share capital of Swisse whereas Biostime Australia and the Non-controlling Shareholders in aggregate hold approximately 83% and 17% equity interests in Biostime Australia Holdings, respectively.

Under current IFRSs, when the Holdco Put Option is granted, the Group is required to record a financial liability which is to be measured at the present value of the redemption amount. On initial recognition, the corresponding debit is made to put option reserve which is a component of equity attributable to owners of the parent. The financial liability is subsequently measured in accordance with IAS 39 Financial Instruments.

The directors have estimated that at the grant date of the Holdco Put Options, the redemption amount would be approximately AUD307,020,000 (equivalent to approximately RMB1,535,438,000), based on 17% of the business value (the "Business Value") of the Swisse Group as at that date. Accordingly, the Group recorded financial liabilities in respect of the Holdco Put Options of RMB1,535,438,000 as at 14 September 2016 with a corresponding debit to the put option reserve.

The Business Value was determined by management using a discounted cash flow model which discounts future net cash flows to the present value at a rate that reflects both the current return requirements of the market and risks specific to the Swisse Group. The following table lists the key inputs that have been used in the model:

–	Long-term growth rate	3%
–	Pre-tax discount rate	17.2%

On 15 December 2016, the Group announced the 17% Acquisition at a cash consideration of AUD311,300,000 (equivalent to approximately RMB1,561,387,000). Accordingly, as at 31 December 2016, the Group has remeasured the financial liabilities associated with the Holdco Put Options according to the consideration payable and charged the difference between the amounts as at the date of initial recognition and the year-end date of AUD4,280,000 (equivalent to approximately RMB21,163,000) to profit or loss.

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31. FINANCIAL LIABILITIES ASSOCIATED WITH PUT OPTIONS (Continued)

The Financial Indebtedness Adjustment Clause embedded in the Holdco Put Options met the definition of a derivative financial instrument under IAS 39. Accordingly, the Group has recorded a derivative financial instrument of RMB13,446,000 in respect of this Financial Indebtedness Adjustment Clause as at 31 December 2015. On 14 September 2016, the grant date of the Holdco Put Options, the Financial Indebtedness Adjustment Clause had a negative fair value of RMB5,545,000. As such, a fair value gain of RMB8,581,000 has been recognised by the Group for the year in relation to the change in fair value of the Financial Indebtedness Adjustment Clause for the period from 1 January 2016 to 14 September 2016.

Upon the recognition of the financial liabilities associated with the Holdco Put Options, the Group has derecognised the derivative financial instrument associated with the Financial Indebtedness Adjustment Clause with a corresponding adjustment to the put option reserve.

32. DEFERRED TAX

The movements in deferred tax assets and liabilities during the years ended 31 December 2016 and 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	Tax loss recognised RMB'000	Total RMB'000
At 1 January 2016	2,171	152,740	37,223	5,927	–	198,061
Credited/(charged) to profit or loss for the year *(note 9)*	43,498	49,372	(18,474)	1,904	76,274	152,574
Exchange alignment	–	2,338	–	–	–	2,338
At 31 December 2016	45,669	204,450	18,749	7,831	76,274	352,973
At 1 January 2015	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 *(note 9)*	644	(88,474)	10,762	(1,923)	–	(78,991)
Exchange alignment	–	5,641	–	–	–	5,641
At 31 December 2015	2,171	152,740	37,223	5,927	–	198,061

32. DEFERRED TAX (Continued)

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation RMB'000	Withholding tax on distributable profits of subsidiaries in the PRC RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Change in fair value of financial instruments RMB'000	Total RMB'000
At 1 January 2016 (Restated)	4,691	21,316	849,076	–	875,083
(Credited)/charged to profit or loss for the year *(note 9)*	(6,153)	48,351#	(25,513)	20,306	36,991
Charged to equity for the year	–	–	–	298	298
Exchange alignment	197	–	50,336	83	50,616
At 31 December 2016	(1,265)	69,667	873,899	20,687	962,988
At 1 January 2015	–	16,305	19,619	–	35,924
Acquisition of subsidiaries	9,201	–	789,241	–	798,442
(Credited)/charged to profit or loss for the year *(note 9)*	(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 represented a deferred tax provision of RMB95,301,000 (2015: RMB5,011,000) on the distributable profits of the Company's subsidiaries in Mainland China after offsetting the realised deferred tax liabilities of RMB46,950,000 (2015: Nil) arising from dividends declared by these subsidiaries to their foreign investors during the year.

32. DEFERRED TAX (Continued)

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

	2016 RMB'000	2015 RMB'000 (Restated)
Gross deferred tax assets recognised in the consolidated statement of financial position at 31 December	**352,973**	198,061
Gross deferred tax liabilities recognised in the consolidated statement of financial position at 31 December	**(962,988)**	(875,083)
	(610,015)	(677,022)

Pursuant to the Enterprise Income Tax Law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable rate for the Group is 5%.

As at 31 December 2016, the Group has not recognised deferred tax liabilities of RMB5,463,000 (2015: RMB34,404,000) in respect of temporary differences relating to the unremitted profits of subsidiaries, amounting to RMB109,264,000 (2015: RMB688,080,000), that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it is probable that these profits will not be distributed in the foreseeable future.

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

33. DEFERRED INCOME

	2016 RMB'000	2015 RMB'000
Customer loyalty program		
At 1 January	**23,707**	31,397
Addition	**346,653**	380,858
Recognised as revenue during the year	**(339,036)**	(388,548)
At 31 December	**31,324**	23,707

34. SHARE CAPITAL

Shares

	2016	2015
Authorised: 10,000,000,000 (2015: 10,000,000,000) ordinary shares of HK$0.01 each	**HK$100,000,000**	HK$100,000,000
Issued and fully paid: 630,472,096 (2015: 630,080,426) ordinary shares of HK$0.01 each	**HK$6,304,721**	HK$6,300,804
Equivalent to	**RMB5,390,000**	RMB5,387,000

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	606,825,765	6,068	5,197
Share options exercised *(note (a))*	2,741,576	28	22
Share consideration for the Acquisition *(note (b))*	20,513,085	205	168
	23,254,661	233	190
At 31 December 2015 and 1 January 2016	630,080,426	6,301	5,387
Share options exercised *(note (c))*	391,670	4	3
At 31 December 2016	630,472,096	6,305	5,390

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 approximately RMB11,838,000).

(b) During the year ended 31 December 2015, the Company issued 20,513,085 ordinary shares at an issue price of HK$13.48 each as part of the purchase consideration for the Acquisition. Details of the Acquisition are set out in note 39 to these financial statements.

(c) During the year ended 31 December 2016, the subscription rights attaching to 391,670 share options were exercised at the subscription prices ranging from HK$2.53 to HK$24.70, resulting in the issue of 391,670 ordinary shares for a total cash consideration, before expenses, of HK$3,732,000 (equivalent to approximately RMB4,581,000).

Notes to Financial Statements

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34. SHARE CAPITAL (Continued)

Share options

Details of the Company's share option schemes and the share options exercised under the schemes are included in note 35 to these financial statements.

35. 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.

The Pre-IPO Share Option Scheme will expire on 17 December 2020 while the Share Option Scheme will remain in force for ten years from 25 November 2010 unless otherwise cancelled or amended.

The subscription price per share for all options granted under the Pre-IPO Share Option Scheme is HK$2.53. In respect of the Share Option Scheme, the exercise price of the share options is determined by the board of directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

(i) Movements in share options

Movements in the number of share options outstanding and their related weighted average exercise prices are set out below:

31 December 2016

	Pre-IPO Share Option Scheme		Share Option Scheme		
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000	Total Number of options '000
At 1 January 2016	2.53	1,131	15.71	19,815	20,946
Granted during the year	2.53	–	21.78	1,579	1,579*
Forfeited during the year	2.53	(2)	15.86	(5,229)	(5,231)
Exercised during the year	2.53	(206)	17.27	(186)	(392)
At 31 December 2016	2.53	923	16.24	15,979	16,902

* No options were granted to the directors.

35. SHARE OPTION SCHEMES (Continued)

(i) Movements in share options (Continued)

31 December 2015

	Pre-IPO Share Option Scheme		Share Option Scheme		
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000	Total Number of options '000
At 1 January 2015	2.53	6,929	18.11	2,739	9,668
Granted during the year	2.53	–	15.58	18,869	18,869
Forfeited during the year	2.53	(3,556)	18.19	(1,293)	(4,849)
Exercised during the year	2.53	(2,242)	17.58	(500)	(2,742)
At 31 December 2015	2.53	1,131	15.71	19,815	20,946

The weighted average share prices at the date of exercise for share options exercised under the Pre-IPO Share Option Scheme and the Share Option Scheme during the year were HK$20.83 per share (2015: HK$33.34 per share) and HK$25.35 per share (2015: HK$35.19 per share), respectively.

A total of 391,670 share options were exercised during the year under the two share option schemes, resulting in the issue of 391,670 ordinary shares of the Company and new share capital of HK$3,900 (equivalent to approximately RMB3,300) and share premium of HK$3,729,000 (equivalent to approximately RMB4,578,000) (before issue expenses). An amount of RMB2,270,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options.

No share option reserve related to the forfeited shares that have been vested was transferred to retained profits during the year (2015: RMB696,000).

(ii) Outstanding share options

The exercise prices and exercise periods of the share options outstanding under the Pre-IPO Share Option Scheme and the Share Option Scheme as at 31 December 2016 and 2015 are as follows:

Pre-IPO Share Option Scheme

31 December 2016 Number of options '000	31 December 2015 Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
923	1,131	2.53	17-12-14 to 17-12-20

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

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35. SHARE OPTION SCHEMES (Continued)

(ii) Outstanding share options (Continued)

Share Option Scheme

31 December 2016 Number of options '000	31 December 2015 Number of options '000	Exercise price* HK$ per share	Exercise period
66	135	15.312	17-12-14 to 17-12-20
86	130	11.520	17-12-14 to 17-12-20
90	90	12.120	17-12-13 to 17-12-19
90	90	12.120	17-12-14 to 17-12-20
–	6	19.640	17-12-13 to 17-12-19
89	152	19.640	17-12-14 to 17-12-20
195	343	24.700	17-12-14 to 17-12-20
6,098	8,068	15.580	30-12-16 to 30-12-22
496	820	15.580	1-4-17 to 1-4-23
4,154	5,661	15.580	1-4-18 to 1-4-24
3,100	4,320	15.580	1-4-19 to 1-4-25
91	–	21.050	30-12-16 to 30-12-22
91	–	21.050	1-4-17 to 1-4-23
145	–	21.050	1-4-18 to 1-4-24
157	–	21.050	1-4-19 to 1-4-25
146	–	20.920	30-12-16 to 30-12-22
31	–	20.920	1-4-17 to 1-4-23
166	–	20.920	1-4-18 to 1-4-24
147	–	20.920	1-4-19 to 1-4-25
38	–	23.300	1-4-17 to 1-4-23
245	–	23.300	1-4-18 to 1-4-24
258	–	23.300	1-4-19 to 1-4-25
15,979	19,815		

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

At 31 December 2016, the share options outstanding under the Share Option Scheme were divided into two to three tranches at their respective grant dates. Generally, the first tranche vests one year after the grant date while the remaining tranches vest in the subsequent two to four years. There is a six-year exercise period for each share option granted under the Share Option Scheme.

The exercise in full of the outstanding share options under the two share option schemes would, under the present capital structure of the Company, result in the issue of 16,902,000 additional ordinary shares of the Company and additional share capital of HK$169,000 (equivalent to approximately RMB151,000) and share premium of HK$261,710,000 (equivalent to approximately RMB234,099,000) (before issue expenses).

Subsequent to the end of the reporting period, 334,000 and 1,453,000 share options were forfeited and exercised, respectively. At the date of approval of these financial statements, the Company had 15,115,000 share options outstanding under the two share option schemes, which represented approximately 2.5% of the Company's shares in issue as at that date.

35. SHARE OPTION SCHEMES (Continued)

(iii) Fair value of the share options

The directors of the Company used Hull White model to determine the fair value of the share options as at the respective grant dates, which is to be expensed over the relevant vesting period. The weighted average fair value of share options granted during the year ended 31 December 2016 was HK$7.86 per share (equivalent to approximately RMB6.83 per share) (2015: HK$3.76 per share (equivalent to approximately RMB3.15 per share).

Other than the exercise prices disclosed above, significant judgement on parameters, such as dividend yield, expected volatility, risk-free interest rate, and expected volatility, are required to be made by the directors in applying the Hull White model, which are summarised below:

	2016	2015
Dividend yield (%)	0 – 5.32	8.48
Expected volatility (%)	41.74–45.39	42.7
Risk-free interest rate (%)	0.84 – 2.01	1.21

During the year, the Group has recognised share option expense related to the two share option schemes of RMB33,004,000 (2015: a reversal of share option expense of RMB10,619,000) in total.

36. 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 year ended 31 December 2016, no ordinary shares of the Company on the Stock Exchange were purchased for the Share Award Scheme (2015: Nil).

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36. SHARE AWARD SCHEMES (Continued)

Share Award Scheme (Continued)

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

				Number of Awarded Shares		
Date of grant	Number of outstanding Awarded Shares as at 31 December 2015 and newly granted during the year	Fair value	Vesting date	Vested during the year	Forfeited during the year	Outstanding Awarded Shares as at 31 December 2016
		RMB				
31 December 2015	932,817	12,301,000	31 December 2016	(795,157)	(137,660)	–
23 December 2016	7,713	161,000	1 April 2017	–	–	7,713
23 December 2016	320,335	6,680,000	1 April 2018	–	–	320,335*
Total	1,260,865	19,142,000		(795,157)	(137,660)	328,048

* 77,828 Awarded Shares were granted to the directors.

The Group recognised a share award expense of RMB10,834,000 during the year (2015: a reversal of share award expense of RMB2,652,000) in relation to the Share Award Scheme.

2013 Share Award Scheme

The board of directors of the Company has approved the adoption of the 2013 share award scheme ("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.

36. SHARE AWARD SCHEMES (Continued)

2013 Share Award Scheme (Continued)

Summary of particulars of the shares granted under the Share Award Scheme (the "2013 Awarded Shares") during the year is as follows:

Date of grant	Number of outstanding 2013 Awarded Shares at 31 December 2015 and newly granted during the year	Fair value	Vesting date	Number of 2013 Awarded Shares: Vested during the year	Forfeited during the year	Outstanding 2013 Awarded Shares at 31 December 2016
		RMB				
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	(880,743)	(290,945)	–
29 December 2015	585,947	7,238,000	1 April 2017	–	(74,070)	511,877
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*
30 September 2016	34,529	553,000	30 December 2016	(34,529)	–	–
30 September 2016	14,641	234,000	1 April 2017	–	–	14,641*
23 December 2016	17,839	372,000	1 April 2017	–	–	17,839*
23 December 2016	1,202,140	25,067,000	1 April 2018	–	–	1,202,140*
Total	3,291,195	52,414,000		(960,561)	(433,315)	1,897,319

* Among these Awarded Shares granted, none of Awarded Shares were granted to the executive directors.

During the year ended 31 December 2016, no shares were issued for the 2013 Share Award Scheme (2015: Nil).

The Group recognised a share award expense of RMB19,134,000 during the year (2015: a reversal of share award expense of RMB7,311,000) in relation to the 2013 Share Award Scheme.

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37. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 93 and 94 of these financial statements.

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

The Group's capital surplus represents 1% of equity in Biostime Health contributed by Biostime Pharmaceuticals (China) Limited, the ultimate shareholder, during the year ended 31 December 2009 when Biostime Health became a wholly-owned subsidiary of the Group.

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

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

As detailed in note 31 to these financial statements, the Non-controlling Shareholders previously held approximately 17% equity interests in Swisse, and after the Roll-up Call Option was exercised on 14 September 2016, Biostime Australia Investment directly holds the entire share capital of Swisse whereas Biostime Australia and the Non-controlling Shareholders in aggregate hold approximately 83% and 17% equity interests in Biostime Australia Holdings, respectively.

38. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

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

	2016	2015
Percentage of equity interest held by non-controlling interests as at the end of the reporting period:		
Biostime Australia Holdings and its subsidiaries (the "BHAH Group")	17%	–
The Swisse Group	–	17%

	2016 RMB'000	2015 RMB'000
Profit for the year allocated to non-controlling interests:		
The BHAH Group#	96,178	–
The Swisse Group	–	39,924
Accumulated balances of non-controlling interests as at the end of the reporting period:		
The BHAH Group	31,620	–
The Swisse Group	–	301,707

Represented the sum of the profit of the Swisse Group for the period from 1 January 2016 to 13 September 2016, the date prior to the exercise of the Roll-up Call Option on 14 September 2016, and the profit of the BHAH Group for the period from 14 September 2016 to 31 December 2016 shared by the Non-controlling Shareholders

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38. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (Continued)

The following tables illustrate the summarised financial information of the BHAH Group and the Swisse Group, respectively. The amounts disclosed are before any inter-company eliminations:

	2016 RMB'000	2015 RMB'000
Revenue	2,714,799#	855,135
Total expenses	(2,149,048)#	(605,682)
Profit for the year	565,751#	249,453
Total comprehensive income for the year	693,926#	231,191
Current assets	1,448,443	482,170
Non-current assets	8,248,029	63,950
Current liabilities	(1,262,477)	(643,036)
Non-current liabilities	(3,130,127)	(33,387)
Net cash flows from operating activities	573,471#	213,680
Net cash flows used in investing activities	(176,417)#	(10,062)
Net cash flows used in financing activities	(261,551)#	(1,118)
Net increase in cash and cash equivalents	135,503#	202,500

\# Represented aggregate financial information of the Swisse Group for the period from 1 January 2016 to 13 September 2016, the date prior to the exercise of the Roll-up Call Option on 14 September 2016, and of the BHAH Group for the period from 14 September 2016 to 31 December 2016

39. BUSINESS COMBINATIONS

Acquisition in 2016

During the year, the Group entered into sale and purchase agreements to acquire equity interests in the following companies:

Acquisition date	Company name	Consideration RMB'000	Acquired interests (%)	Principal activities
21 April 2016	SW Productions Holdings and its subsidiary ("SW Productions Group")	12,041	100%	Packaging service
21 December 2016	AB Pharma and its subsidiary ("AB Pharma Group")	114,800	100%	Marketing and distribution of baby products

39. BUSINESS COMBINATIONS (Continued)

Acquisition in 2016 (Continued)

The respective fair values of the identifiable assets and liabilities of the above companies acquired at the dates of acquisitions by the Group are shown below:

	Notes	**SW Productions Group RMB'000**	**AB Pharma Group* RMB'000**	**Total RMB'000**
Property, plant and equipment	*12*	6,919	5,172	12,091
Intangible assets	*15*	2,036	23,534	25,570
Deposits		–	1,376	1,376
Inventories		309	9,754	10,063
Trade receivables		–	26,276	26,276
Prepayments, deposits and other receivables		512	7,613	8,125
Cash and cash equivalents		–	7,992	7,992
Tax payable		–	(9,219)	(9,219)
Trade payables		–	(13,639)	(13,639)
Other payables and accruals		(1,928)	(8,924)	(10,852)
Total identifiable net assets at fair value		7,848	49,935	57,783
Goodwill on acquisition	*14*	4,193	64,865	69,058
Total consideration		12,041	114,800	126,841
Satisfied by:				
Cash		12,041	114,800	126,841

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

The Group incurred transaction costs of RMB3,823,000 for these acquisitions. These transaction costs have been expensed and are included in administrative expenses in profit or loss. The Group has paid part of the transaction costs of RMB230,000 by the end of 2016.

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39. BUSINESS COMBINATIONS (Continued)

Acquisition in 2016 (Continued)

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

	RMB'000
Cash consideration	126,841
Cash and bank balances acquired	(7,992)
Net outflow of cash and cash equivalents included in cash flows from investing activities	118,849
Transaction costs of the acquisition included in cash flows from operating activities	230
	119,079

Acquisitions in 2015

(a) *Acquisition of Swisse*

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

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

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

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

39. BUSINESS COMBINATIONS (Continued)

Acquisitions in 2015 (Continued)

(a) Acquisition of Swisse *(Continued)*

(1) 20,513,085 shares of the Company were issued at an issue price of HK$13.48 each on 30 September 2015, as disclosed in note 34 to these financial statements. The issue price for the consideration shares represented a discount of approximately 0.1% to the closing price of HK$13.50 per share as quoted on the Stock Exchange on 16 September 2015.

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

By the end of 2016, all the consideration has been paid by the Group.

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

	Notes	**Fair value recognised on acquisition** RMB'000
Property, plant and equipment	*12*	21,603
Intangible assets	*15*	2,600,170
Deferred tax assets	*32*	142,515
Inventories		97,506
Trade receivables		442,151
Cash and cash equivalents		202,801
Other current assets		14,987
Tax payable		(81,312)
Trade payables		(458,839)
Deferred tax liabilities	*32*	(787,518)
Other liabilities		(5,869)
Total identifiable net assets at fair value		2,188,195
Non-controlling interests		(252,592)
Derivative financial instrument		(358)
Goodwill on the Acquisition	*14*	4,554,792
Total consideration for the Acquisition		6,490,037
Satisfied by:		
Cash		6,263,070
Shares		226,967
		6,490,037

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39. BUSINESS COMBINATIONS (Continued)

Acquisitions in 2015 (Continued)

(a) Acquisition of Swisse *(Continued)*

By the end of last reporting period, the purchase price allocation of Swisse was incomplete, pending on the finalisation of valuation of certain assets and liabilities and the determination of the tax basis of the assets and liabilities acquired.

During the current year, the valuation of certain assets and liabilities have been completed, and the purchase price allocation has been completed and the valuation result is the same as the preliminary fair values recognised in last reporting period.

The completion of purchase price allocation did not have any impact on the consolidated statement of financial position at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015, nor the earnings per share attributable to ordinary equity holders of the parent for the year ended 31 December 2015.

The Group incurred transaction costs of RMB64,623,000 for the Acquisition. These transaction costs have been expensed and are included in administrative expenses in profit or loss. The Group has paid all the transaction costs by the end of 2016.

(b) Acquisition of 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 State 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 the purchase consideration by the end of 2015.

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.

39. BUSINESS COMBINATIONS (Continued)

Acquisitions in 2015 (Continued)

(b) Acquisition of Healthy Times *(Continued)*

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

	Notes	**Preliminary fair value recognised on acquisition** RMB'000	**Final fair value recognised on acquisition** RMB'000 (Restated)
Intangible assets	15	–	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	32	–	(10,924)
Total identifiable net assets at fair value		5,639	25,925
Goodwill on acquisition	14	58,919	38,633
Total consideration for acquisition		64,558	64,558
Satisfied by cash		64,558	64,558

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

Notes to Financial Statements

31 December 2016

39. BUSINESS COMBINATIONS (Continued)

Acquisitions in 2015 (Continued)

(b) ***Acquisition of Healthy Times*** *(Continued)*

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)

40. CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any significant contingent liabilities.

41. PLEDGE OF ASSETS

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

42. OPERATING LEASE ARRANGEMENTS

As lessee

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

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

	2016 **RMB'000**	2015 RMB'000
Within one year	**32,930**	70,634
In the second to fifth years, inclusive	**84,255**	79,559
After five years	**23,954**	25,438
	141,139	175,631

43. COMMITMENTS

In addition to the operating lease commitments detailed in note 42 above, the Group had the following capital commitments at the end of the reporting periods:

	2016 **RMB'000**	2015 RMB'000
Contracted, but not provided for:		
Intangible assets	**335**	–
Property, plant and equipment	**1,629**	28,467
	1,964	28,467

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44. RELATED PARTY BALANCES AND TRANSACTIONS

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

(a) Related party transactions

	Notes	2016 RMB'000	2015 RMB'000
Purchases of raw materials from a company under the common control of directors	*(i)*	–	1,916
Purchases of finished goods from an associate	*(ii)*	14,404	84,876
Loan to an associate	*(iii)*	40,000	–
Interest from loans to an associate	*(iv)*	1,154	1,173

Notes:

(i) The transactions were conducted in accordance with mutually agreed terms. The related party transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(ii) The transactions were conducted in accordance with mutually agreed terms.

(iii) On 8 November 2016, the Group provided a loan to its associate which is secured, interest bearing at 4% per annum and is repayable on 7 November 2018.

(iv) Loan to an associate was subject to interest at a rate of 3% per annum for the period from 1 January 2015 to 31 October 2016 and is subject to interest at a rate of 4% per annum starting from 8 November 2016.

Additionally, since certain of the Non-controlling Shareholders are beneficially owned by a director of the Company, the granting of the Holdco Put Option to those companies also constituted a related party transaction of the Group. Further details in relation to the granting of the Holdco Put Option are set out in the Company's circular dated 29 August 2016.

(b) Material outstanding balances with related parties

(i) Details of the Group's trade payable balance with the associate as at the end of the reporting period are disclosed in note 25 to these financial statements.

(ii) Details of the Group's loan to the associate as at the end of the reporting period are included in note 20 to these financial statements.

44. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(c) Compensation of key management personnel of the Group

In addition to the amounts paid to the Company's directors as disclosed in note 8(a), compensation of other key management personnel of the Group is as follows:

	2016 RMB'000	2015 RMB'000
Short-term employee benefits	40,438	38,469
Pension scheme contributions	747	1,126
Provision for/(reversal of) equity-settled share option expense	6,691	(1,890)
Provision for/(reversal of) equity-settled share award expense	12,235	(2,214)
Total compensation paid to key management personnel	60,111	35,491

45. FINANCIAL INSTRUMENTS BY CATEGORY

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

2016

Financial assets

	Notes	Held-to-maturity investment RMB'000	Financial assets at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Total RMB'000
Bonds receivable	*17*	–	–	127,701	127,701
Loans receivable	*18*	–	–	75,873	75,873
Loan to an associate	*20*	–	–	40,000	40,000
Held-to-maturity investment		18,435	–	–	18,435
Trade and bills receivables	*22*	–	–	516,624	516,624
Financial assets included in prepayments, deposits and other receivables		–	–	67,363	67,363
Derivative financial instruments	*27*	–	249,665	–	249,665
Pledged deposits	*24*	–	–	995,498	995,498
Cash and cash equivalents	*24*	–	–	1,506,203	1,506,203
		18,435	249,665	3,329,262	3,597,362

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45. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2016
Financial liabilities

	Notes	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	*25*	–	532,121	532,121
Financial liabilities included in other payables and accruals		–	658,368	658,368
Derivative financial instruments	*27*	3,074	–	3,074
Interest-bearing bank loans	*28*	–	2,792,178	2,792,178
Convertible bonds	*29*	1,223,619	–	1,223,619
Senior notes	*30*	–	2,743,874	2,743,874
Financial liabilities associated with put options	*31*	1,561,387	–	1,561,387
		2,788,080	6,726,541	9,514,621

2015
Financial assets

	Notes	Held-to-maturity investment RMB'000	Financial assets at fair value through profit or loss RMB'000	Loans and receivables RMB'000	Total RMB'000
Bonds receivable	*17*	–	–	124,003	124,003
Loans receivable	*18*	–	–	76,880	76,880
Loan to an associate	*20*	–	–	40,000	40,000
Held-to-maturity investment		17,901	–	–	17,901
Non-current time deposits	*24*	–	–	70,159	70,159
Trade and bills receivables	*22*	–	–	622,842	622,842
Financial assets included in prepayments, deposits and other receivables		–	–	162,896	162,896
Derivative financial instrument	*27*	–	2,728	–	2,728
Pledged deposits	*24*	–	–	1,927,000	1,927,000
Cash and cash equivalents	*24*	–	–	1,198,235	1,198,235
		17,901	2,728	4,222,015	4,242,644

45. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2015

Financial liabilities

	Notes	Financial liabilities at fair value through profit or loss RMB'000	Financial liabilities at amortised cost RMB'000	Total RMB'000
Trade and bills payables	*25*	–	618,711	618,711
Financial liabilities included in other payables and accruals		–	1,001,822	1,001,822
Derivative financial instruments	*27*	19,005	–	19,005
Interest-bearing bank loans	*28*	–	4,740,450	4,740,450
Convertible bonds	*29*	–	2,659,057	2,659,057
		19,005	9,020,040	9,039,045

46. 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	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Financial assets				
Derivative financial instruments				
– Conversion option embedded in a loan receivable	**2,914**	2,728	**2,914**	2,728
– Early redemption option embedded in the senior notes	**55,509**	–	**55,509**	–
– The Swaps	**68,957**	–	**68,957**	–
– Cross currency swaps	**122,285**	–	**122,285**	–
	249,665	2,728	**249,665**	2,728

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46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

	Carrying amounts		Fair values	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities				
Derivative financial instruments				
– Forward currency contracts	(3,074)	(5,559)	(3,074)	(5,559)
– Financial indebtedness adjustment clause related to the Holdco Put Option	–	(13,446)	–	(13,446)
Senior notes	(2,743,874)	–	(2,918,743)	–
Financial liabilities associated with put options	(1,561,387)	–	(1,561,387)	–
	(4,308,335)	(19,005)	(4,483,204)	(19,005)

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals and interest-bearing bank loans approximate to their carrying amounts largely due to the short term maturities of these instruments.

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 loans and convertible bonds, and the suppliers' non-performance risk for loans and bonds receivables as at 31 December 2016 were assessed to be insignificant.

(b) The conversion 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 Holdco Put Option is measured using valuation technique of Monte Carlo simulation using significant unobservable market inputs.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

(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 observable input. The carrying amounts of forward currency contracts are the same as their fair values.

(e) The Group enters into derivative financial instruments with various counterparties, principally financial institutions with high credit quality. Derivative financial instruments, including the Swaps and the cross currency swaps, were measured by using discounted cash flow models. The valuation techniques used both observable and unobservable market inputs. The fair values of the Swaps and the cross currency swaps were the same as their carrying amounts.

(f) The derivative financial instrument arising from the early redemption option embedded in the senior notes is measured using valuation technique of Hull-White model using significant unobservable market inputs.

(g) The fair value of the senior notes is based on the quoted market price provided by a leading global financial market data provider.

(h) The fair value of the financial liabilities associated with put options is measured using discounted cash flow model using significant unobservable market inputs.

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46. 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 techniques	Significant unobservable input	Range	Sensitivity of fair value to the input
Derivative financial instrument– Conversion option embedded in a loan receivable	Binomial tree model	Weighted average cost of capital ("WACC")	12.00% to 13.00%	1% increase in WACC would result in decrease in fair value by RMB222,000
				1% decrease in WACC would result in increase in fair value by RMB2,376,000
		Discount rate	13.09% to 13.35%	1% increase in discount would result in increase in fair value by RMB979,000
				1% decrease in discount would result in decrease in fair value by RMB918,000
Derivative financial instrument – Early redemption option embedded in the senior notes	Hull-White model	Credit spread	3.14% to 3.20%	1% increase in credit spread would result in decrease in fair value by RMB701,000
				1% decrease in credit spread would result in increase in fair value by RMB702,000
Derivative financial instruments – the Swaps	Discounted cash flow model	Discount Rate – Receive leg	1.00% to 1.53%	1% increase in discount rate would result in decrease in fair value by RMB31,000
				1% decrease in discount rate would result in increase in fair value by RMB31,000

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

	Valuation techniques	Significant unobservable input	Range	Sensitivity of fair value to the input
Derivative financial instruments – the Swaps	Discounted cash flow model	Discount Rate – Pay leg	1.91% to 2.23%	1% increase in discount rate would result in increase in fair value by RMB646,000 1% decrease in discount rate would result in decrease in fair value by RMB647,000
Derivative financial instruments – Cross currency swaps	Discounted cash flow model	Discount Rate – Receive leg	1.03% to 1.92%	1% increase in discount rate would result in decrease in fair value by RMB1,286,000 1% decrease in discount rate would result in increase in fair value by RMB1,287,000
		Discount Rate – Pay leg	5.10% to 8.11%	1% increase in discount rate would result in increase in fair value by RMB3,142,000 1% decrease in discount rate would result in decrease in fair value by RMB3,149,000

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46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

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

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Derivative financial instruments				
– Conversion option embedded in a loan receivable	–	–	2,914	2,914
– Early redemption option embedded in the senior notes	–	–	55,509	55,509
– The Swaps	–	–	68,957	68,957
– Cross currency swaps	–	–	122,285	122,285
As at 31 December 2016	–	–	249,665	249,665
As at 31 December 2015				
Derivative financial instrument				
– Conversion option embedded in a loan receivable	–	–	2,728	2,728

The movements in fair value measurements within Level 3 during the year are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	2,728	2,570
Additions	27,577	–
Total gains/(loss) recognised in profit or loss	149,052	(2)
Total gains recognised in equity	62,313	–
Exchange alignment	7,995	160
At 31 December	249,665	2,728

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Liabilities measured at fair value:

	Fair value measurement using			
	Quoted prices in active market (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
As at 31 December 2016				
Derivative financial instruments				
– Forward currency contracts	–	3,074	–	3,074
As at 31 December 2015				
Derivative financial instruments				
– Forward currency contracts	–	5,559	–	5,559
– Financial indebtedness adjustment clause related to the Holdco Put Option	–	–	13,446	13,446
	–	5,559	13,446	19,005

The movements in fair value measurements within Level 3 during the year are as follows:

	2016 RMB'000	2015 RMB'000
Financial indebtedness adjustment clause relate to the Holdco Put Option:		
At 1 January	**13,446**	–
Acquisition	**–**	358
Derecognition	**(5,545)**	–
Total (gain)/loss recognised in profit or loss	**(8,581)**	13,067
Exchange alignment	**680**	21
At 31 December	**–**	13,446

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2015: Nil).

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47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise cash and cash equivalents, time deposits, bank loans, convertible bonds and senior notes. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, other receivables and trade and other payables, which arise directly from its operations.

The Group also enters into derivative transactions, including the cross currency swaps, the Swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to these financial statements.

Interest rate risk

In respect of the floating interest rate instruments, the Group is subject to the cash flow interest rate risk, while for the fixed interest rate instruments, the Group is subject to fair value interest rate risk.

To manage the interest rate risk arising from the floating interest rate instruments, the Group has entered into the Swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2016, after taking into account the effect of the Swaps, approximately 54% (2015: Nil) of the Group's interest-bearing borrowing bore interest at fixed rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax by assuming the floating rate borrowings outstanding at the end of the reporting period were outstanding for the whole year.

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax** RMB'000
Year ended 31 December 2016	50	(7,379)
Year ended 31 December 2016	(50)	7,379
Year ended 31 December 2015	50	(4,044)
Year ended 31 December 2015	(50)	4,044

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases or financing by operating units in currencies other than the units' functional currencies. Approximately 3% (2015: 0.17%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, whilst approximately 49% (2015: 66%) of costs were denominated in currencies other than the units' functional currencies. Certain operating units of the Group used forward currency contracts to eliminate the foreign currency exposures. The Group also has certain bank balances denominated in AUD, HK$, US$ and EUR. In addition, the Group has investments denominated in EUR, and provided loans to suppliers denominated in US$ and DKK and issued convertible bonds in HK$ and senior notes in US$. Also, the Group has certain bank loans which are denominated in US$ and AUD.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rate between RMB or AUD against each of the following currencies, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in AUD/US$/EUR/HK$/ DKK/NZD/GBP rates %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2016			
If the RMB weakens against the US$	5	(530)	–
If the RMB strengthens against the US$	(5)	530	–
If the RMB weakens against the EUR	5	403	–
If the RMB strengthens against the EUR	(5)	(403)	–
If the RMB weakens against the DKK	5	1,745	–
If the RMB strengthens against the DKK	(5)	(1,745)	–
If the AUD weakens against the US$	5	65	(52,947)
If the AUD strengthens against the US$	(5)	(65)	52,947
If the AUD weakens against the EUR	5	(2,711)	–
If the AUD strengthens against the EUR	(5)	2,711	–
If the AUD weakens against the NZD	5	1,893	–
If the AUD strengthens against the NZD	(5)	(1,893)	–
If the AUD weakens against the GBP	5	(279)	–
If the AUD strengthens against the GBP	(5)	279	–

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk (Continued)

	Increase/ (decrease) in AUD/US$/EUR/HK$/ DKK/NZD/GBP rates %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000*
2015			
If the RMB weakens against the US$	5	1,706	–
If the RMB strengthens against the US$	(5)	(1,706)	–
If the RMB weakens against the EUR	5	4,531	–
If the RMB strengthens against the EUR	(5)	(4,531)	–
If the RMB weakens against the HK$	5	(327)	–
If the RMB strengthens against the HK$	(5)	327	–
If the RMB weakens against the DKK	5	2,477	–
If the RMB strengthens against the DKK	(5)	(2,477)	–
If the AUD weakens against the US$	5	620	–
If the AUD strengthens against the US$	(5)	(620)	–
If the AUD weakens against the EUR	5	(1,954)	–
If the AUD strengthens against the EUR	(5)	1,954	–
If the AUD weakens against the NZD	5	3,031	–
If the AUD strengthens against the NZD	(5)	(3,031)	–
If the AUD weakens against the GBP	5	1,092	–
If the AUD strengthens against the GBP	(5)	(1,092)	–

* Excluding retained profits

Credit risk

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

The credit risk of the Group's other financial assets, which comprise loans receivable, other receivables and deposits, cash and cash equivalents, time deposits and pledged deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

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

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group recorded net current liabilities of RMB804,705,000 as at 31 December 2016 which arose mainly due to the financial liabilities associated with put options of RMB1,561,387,000. On 23 January 2017, the Group successfully issued additional senior notes due 21 June 2021 in the principal amount of US$200,000,000 and on 7 February 2017, the Group successfully completes the 17% Acquisition using the proceeds from the senior notes issue and cash on hand. On this basis, the directors of the Company consider that the Group is able to meet in full its financial obligations as they fall due in the coming twelve months.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

Except for items listed below and other payables and accruals of RMB23,175,000 (2015: RMB28,696,000) as at 31 December 2016 which are due beyond one year, the Group's financial liabilities as at 31 December 2016 and 2015 would be due within 12 months.

	2016 RMB'000	2015 RMB'000	Due date
Senior notes	2,542,703	–	21 June 2021
Interest bearing bank loans	2,242,791	–	April 2019

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

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

	2016 RMB'000	2015 RMB'000 (Restated)
Total liabilities	11,009,039	10,242,160
Total assets	14,205,143	13,844,403
Liabilities to assets ratio	78%	74%

48. EVENT AFTER THE END OF THE REPORTING PERIOD

(a) On 23 January 2017, the Company issued senior notes due 21 June 2021 with an aggregate principal amount of US$200,000,000. The senior notes bear interest from and including 21 December 2016 at a rate of 7.25% per annum, payable semi-annually in arrears. The senior notes are listed on the Singapore Exchange Securities Trading Limited.

The gross proceeds of the senior notes were approximately US$209,000,000. The net proceeds from the issue of the senior notes have been used, together with the Group's cash on hand, to fund the 17% Acquisition.

(b) On 7 February 2017, the Group completed the 17% Acquisition. As a result, Biostime Australia Holdings became a wholly-owned subsidiary of the Company.

(c) On 20 February 2017, the Company, at the option of the bondholders, redeemed the remaining part of the bondholders' convertible bonds, at cash consideration of HK$1,400,968,000 (equivalent to approximately RMB1,240,879,000).

49. COMPARATIVE AMOUNTS

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

As further explained in note 39 to these financial statements, the purchase price allocations for the business combinations occurred in prior year have been completed during the year, 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.

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	43	23
Loans receivable	48,789	54,896
Investments in subsidiaries	4,305,178	4,000,822
Due from subsidiaries	3,838,841	3,646,583
Deferred tax assets	379	355
Derivative financial instruments	177,794	–
Total non-current assets	8,371,024	7,702,679
CURRENT ASSETS		
Prepayments, deposits and other receivables	6,249	4,833
Due from subsidiaries	1,303,983	1,260,073
Loans to subsidiaries	189,183	239,894
Loans receivable	27,084	21,984
Derivative financial instrument	2,914	2,728
Cash and cash equivalents	997,311	26,440
Total current assets	2,526,724	1,555,952
CURRENT LIABILITIES		
Trade payables	51,584	36,236
Due to subsidiaries	1,157,102	923,557
Other payables and accruals	14,244	52,701
Tax payable	2,150	–
Interest-bearing bank loans	–	974,045
Convertible bonds	1,223,619	–
Senior notes	201,171	–
Total current liabilities	2,649,870	1,986,539
NET CURRENT LIABILITIES	(123,146)	(430,587)
TOTAL ASSETS LESS CURRENT LIABILITIES	8,247,878	7,272,092
NON-CURRENT LIABILITIES		
Convertible bonds	–	2,659,057
Senior notes	2,542,703	–
Total non-current liabilities	2,542,703	2,659,057
Net assets	5,705,175	4,613,035

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50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

	2016 RMB'000	2015 RMB'000
EQUITY		
Issued capital	**5,390**	5,387
Equity component of convertible bonds (note)	**24,489**	66,978
Reserves (note)	**5,675,296**	4,540,670
Total equity	**5,705,175**	4,613,035

Luo Fei
Director

Chen Fufang
Director

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium account RMB'000	Equity component of convertible bonds RMB'000	Shares held for the share award schemes RMB'000	Contributed surplus RMB'000	Share option reserve RMB'000	Share award reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2015	198,021	66,978	(42,141)	3,260,270	25,418	10,862	(351,938)	1,288,043	4,455,513
Total comprehensive income for the year	–	–	–	–	–	–	261,082	(130,930)	130,152
Issue of shares for the acquisition of Swisse	226,799	–	–	–	–	–	–	–	226,799
Equity-settled share option arrangements	19,005	–	–	–	(18,504)	–	–	696	1,197
Equity-settled share award schemes	–	–	–	–	–	(9,963)	–	–	(9,963)
Final 2014 dividend declared	–	–	–	–	–	–	–	(196,050)#	(196,050)
At 31 December 2015 and 1 January 2016	443,825	66,978	(42,141)	3,260,270	6,914	899	(90,856)	961,759	4,607,648
Total comprehensive income for the year	–	–	–	–	–	–	339,859	709,575	1,049,434
Equity-settled share option arrangements	6,848	–	–	–	30,734	–	–	–	37,582
Equity-settled share award schemes	–	–	22,870	–	–	6,782	–	316	29,968
Repurchase of convertible bonds	–	(24,847)	–	–	–	–	–	–	(24,847)
Transfer to retained profits	–	(17,642)	–	–	–	–	–	17,642	–
At 31 December 2016	450,673	24,489	(19,271)	3,260,270	37,648	7,681	249,003	1,689,292	5,699,785

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

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired, pursuant to the Reorganisation, over the nominal value of the Company's shares issued in exchange therefore. Under the Companies Law (2001 Second Revision) of the Cayman Islands, the share premium account and contributed surplus are distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

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

51. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the board of directors on 27 March 2017.

Five Year Financial Summary

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

	Year ended 31 December				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016** **RMB'000**
				(Restated)	
RESULTS					
REVENUE	3,381,901	4,561,299	4,731,563	4,818,561	**6,505,616**
Gross profit	2,228,946	2,975,120	2,926,931	2,984,565	**4,059,067**
PROFIT BEFORE TAX	1,050,573	1,162,096	1,118,335	502,748	**1,456,520**
Income tax expense	(307,467)	(341,381)	(311,549)	(210,201)	**(404,558)**
PROFIT FOR THE YEAR	743,106	820,715	806,786	292,547	**1,051,962**
Attributable to:					
Owners of the parent	743,106	820,715	806,786	250,687	**954,396**
Non-controlling interests	–	–	–	41,860	**97,566**
PROFIT FOR THE YEAR	743,106	820,715	806,786	292,547	**1,051,962**
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RMB)					
For profit for the year					
– Basic	1.24	1.37	1.34	0.41	**1.52**
– Diluted	1.22	1.34	1.31	0.40	**1.50**

	31 December				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016** **RMB'000**
				(Restated)	
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
Non-current assets	1,242,401	1,775,147	2,295,440	9,206,410	**9,772,466**
Current assets	2,290,991	2,865,872	4,335,721	4,637,993	**4,432,677**
Current liabilities	(1,133,251)	(2,044,810)	(1,267,624)	(6,679,324)	**(5,237,382)**
Non-current liabilities	(77,489)	(80,616)	(2,446,450)	(3,562,836)	**(5,771,657)**
Net assets	2,322,652	2,515,593	2,917,087	3,602,243	**3,196,104**
Attributable to:					
Owners of the parent	2,322,652	2,515,593	2,917,087	3,293,152	**3,161,506**
Non-controlling interests	–	–	–	309,091	**34,598**
	2,322,652	2,515,593	2,917,087	3,602,243	**3,196,104**


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