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If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Biostime International Holdings Limited, you should at once hand this circular to the purchaser or transferee or to a licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information purposes only and does not constitute an offer to sell or an invitation or offer to acquire purchase or subscribe for any securities in the Company.

BIOSTIME

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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1112)

(1) MAJOR TRANSACTION; (2) ISSUE OF THE CONSIDERATION SHARES UNDER THE GENERAL MANDATE; AND (3) ENTRY INTO OF A LOAN AGREEMENT, EACH IN RELATION TO THE ACQUISITION OF APPROXIMATELY 83% EQUITY INTEREST IN SWISSE WELLNESS GROUP PTY LTD

Sole Financial Adviser to the Company

HSBC 滙豐

All capitalised terms used in this circular have the meaning set out in the section headed "Definitions" of this circular. A letter from the Board containing details of the Acquisition is set out on pages 6 to 25 of the circular.

The Company has obtained written Shareholders' approval for the Acquisition pursuant to Rule 14.44 of the Listing Rules from Biostime Pharmaceuticals (China) Limited (合生元製藥(中國)有限公司), the controlling shareholder of the Company which, as at the Latest Practicable Date, holds 450,000,000 Shares (representing approximately 71.43% of the issued share capital of the Company as at the Latest Practicable Date). Accordingly, no Shareholders' meeting will be held to approve the Acquisition pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

9 November 2015

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In this circular, unless the context indicates otherwise, the following expressions have the following meanings:

"Acquisition"	the acquisition by the Purchaser of an approximately 83% equity interest in the Target Company from the Sellers, pursuant to the terms and conditions of the Share Sale Agreement
"Announcement"	the Company's announcement dated 17 September 2015 in relation to the Acquisition
"ANZ"	Australia and New Zealand Banking Group Limited
"AUD"	Australian dollars, the lawful currency of Australia
"Awarded Shares"	shares granted to certain Directors, senior management and employees of the Company under the Share Award Scheme (full details of which can be found in the Company's annual report for the year ended 31 December 2014)
"Biostime Australia"	Biostime Healthy Australia Pty Ltd, a company incorporated in Victoria, Australia and an indirect subsidiary of the Company
"Biostime Australia Holdings"	Biostime Healthy Australia Holdings Pty Ltd, a company incorporated in Victoria, Australia and an indirect subsidiary of the Company
"Biostime HK"	Biostime Healthy Hong Kong Limited (合生元健康香港有限公司), a company incorporated in Hong Kong and an indirect subsidiary of the Company
"Biostime Holding Company"	any direct or indirect holding company of the Target Company (excluding the Company and any holding company (within meaning of the Corporations Act 2001 (Cth) of Australia) of the Company)
"Biostime Holding Company Shares"	a share (whether ordinary, preference, convertible, redeemable or otherwise) issued in the capital of any Biostime Holding Company
"Board"	the board of Directors
"Business Day"	a day on which banks are open for business in: (i) Hong Kong; (ii) the PRC; and (iii) Victoria, Australia, other than a Saturday, Sunday or public holiday
"chief executive"	has the meaning ascribed to it under the Listing Rules

"Company"	Biostime International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1112)
"Completion"	completion of the Acquisition
"Completion Date"	30 September 2015, being the date of Completion
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration Shares"	the 20,513,085 Shares issued on Completion to the Sellers at an issue price of HKD13.48 each as part of the consideration for the Acquisition
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Covenantors"	Stephen Ring, Michael Saba, Radek Sali, Trevor O'Hoy, Adem Karafili, Michael Da Gama Pinto, Ulrich Algreen Irgens, Gary Graco, Michael Howard, Catherine Crowley and George Livery
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group and the Target Group, following Completion
"Facility Agreement"	the facility agreement dated 17 September 2015 in relation to a USD450 million bridge term loan facility entered into between, among others, the Company, Biostime HK as the borrower, those subsidiaries of the Company named as original obligors, ANZ and HSBC as Mandated Lead Arrangers and HSBC as Agent and Security Agent
"FATA"	the Foreign Acquisitions and Takeovers Act 1975 (Cth) of Australia
"Group"	the Company and its subsidiaries, excluding the Target Group
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"HSBC"	The Hongkong and Shanghai Banking Corporation Limited
"IFRS"	International Financial Reporting Standards

"Last Trading Day"	16 September 2015
"Latest Practicable Date"	3 November 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Majority Shareholder"	Biostime Australia Holdings and, to the extent they hold any shares (whether ordinary, preference, convertible, redeemable or otherwise) issued in the capital of the Target Company, the Company or any Biostime Holding Company of the Target Company
"Management Sellers"	(1) Michael Saba; (2) Kednel Pty Ltd (as trustee for the Sali Investment Trust); (3) Radek Sali; (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) Trevor O'Hoy Nominees Pty Ltd as trustee for the Trevor O'Hoy Family Trust; (7) Ankara Holdings Pty Ltd (as trustee for the Ankara Family Trust); (8) Michael Rosario John Da Gama Pinto (as trustee for the DGP Trust); (9) Ulrich Algreen Irgens; (10) GFBR Nominees Pty Limited (as trustee for the George St Group Superannuation Fund); (11) Copper Blonde Pty Limited (as trustee for the MJ & MD Howard Family Trust); (12) Catherine Crowley; (13) CTC Consulting Pty Ltd (as trustee for The Crowley Family Trust); (14) Glankara Investments Pty Limited (as trustee for the Glankara Investments Super Fund); (15) George Livery and Lynne Maree Livery; (16) Michael Rosario John Da Gama Pinto and Amanda Da Gama Pinto (as trustees for the DGP Superannuation Fund)
"PRC"	the People's Republic of China, and for the purpose of this circular excluding Hong Kong and the Macau Special Administrative Region of the People's Republic of China
"Pre-IPO Share Options"	share options granted to certain Directors and members of senior management of the Group under the Pre-IPO Share Option Scheme (full details of which can be found in the Company's annual report for the year ended 31 December 2014)
"Pre-IPO Share Option Scheme"	a pre-IPO share option scheme under which Shares were granted to certain Directors and members of senior management of the Group on 16 July 2010 (full details of which can be found in the Company's annual report for the year ended 31 December 2014)

"Purchaser"	Biostime Healthy Australia Investment Pty Ltd, a company incorporated in Victoria, Australia and an indirect subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Roll-Up Call Option"	the Purchaser's right to require the Sellers to sell all of the shares they continue to hold in the Target Company after Completion, in exchange for an issue of shares representing an equivalent stake in Biostime Australia Holdings, at any time prior to the third anniversary of Completion pursuant to the terms of the Roll-Up Call Option Deed
"Roll-Up Call Option Deed"	the conditional call option deed dated 17 September 2015 entered into between the Purchaser, the Company and the Sellers
"Sellers"	Fiske Pty Ltd (as trustee for the Ring Family Trust) and the Management Sellers
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Award Scheme"	a share award scheme adopted by the Board on 28 November 2011 (as amended on 30 March 2012), under which Shares were issued to certain Directors, senior management and employees of the Company (full details of which can be found in the Company's annual report for the year ended 31 December 2014)
"Share Option Scheme"	a share option scheme under which options were granted to certain eligible participants of the Group and which became effective on 25 November 2010 (full details of which can be found in the Company's annual report for the year ended 31 December 2014)
"Share Options"	share options granted to certain eligible participants of the Group under the Share Option Scheme (full details of which can be found in the Company's annual report for the year ended 31 December 2014)
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Agreement"	the conditional shareholders' agreement in respect of the Target Company dated 17 September 2015 entered into between the Purchaser, the Company, the Target Company and the Sellers
"Share(s)"	ordinary shares of HK$0.01 each in the share capital of the Company

"Share Sale Agreement"	the conditional share sale agreement dated 17 September 2015 entered into between the Purchaser, the Sellers and the Company in relation to the Acquisition
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Target Company"	Swisse Wellness Group Pty Ltd, a company incorporated in Victoria, Australia
"Target Group" or "Swisse" or "Swisse Group"	the corporate group comprising the Target Company and its subsidiaries
"US"	United States of America
"USD"	US dollars, the lawful currency of the United States of America
"%"	per cent.

* For identification purpose only, the Chinese names of PRC entities and other terms have been translated into English in this circular. In the event of any discrepancies between the Chinese names and the English names, the Chinese names prevail.

For the purposes of this circular, unless otherwise indicated, conversion of AUD and RMB is calculated at the exchange rate of AUD1 to RMB4.5283. These exchange rates are for illustrative purpose only and do not constitute a representation that any amount has been, could have been, or may be exchanged at this or any other rate or at all.

Biostime International Holdings Limited
合生元國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1112)

Executive Directors:
Mr. Luo Fei *(Chairman and Chief Executive Officer)*
Ms. Kong Qingjuan

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

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Shun Tak Centre
200 Connaught Road Central
Hong Kong

9 November 2015

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR TRANSACTION;
(2) ISSUE OF THE CONSIDERATION SHARES UNDER THE GENERAL MANDATE; AND
(3) ENTRY INTO OF A LOAN AGREEMENT, EACH IN RELATION TO THE ACQUISITION OF APPROXIMATELY 83% EQUITY INTEREST IN SWISSE WELLNESS GROUP PTY LTD**

1. INTRODUCTION

On 17 September 2015, Biostime Healthy Australia Investment Pty Ltd (an indirect subsidiary of the Company) as the Purchaser, the Company (as the Purchaser's guarantor) and the Sellers entered into the Share Sale Agreement, pursuant to which the Sellers conditionally agreed to sell, and the Company conditionally agreed to acquire through the Purchaser, an approximately 83% equity interest in the Target Company for an aggregate consideration of approximately AUD1,386 million (equivalent to approximately RMB6,276 million) (subject to post-Completion adjustments).

The Acquisition completed on 30 September 2015 and, accordingly, the Company now has an approximately 83% effective equity interest in the Target Group and the financial information of the Target Group will now be consolidated into the accounts of the Group.

2. THE SHARE SALE AGREEMENT

The principal terms of the Share Sale Agreement are set out as follows.

Date: 17 September 2015

Parties:

(i) the Purchaser;

(ii) the Company, as the Purchaser's guarantor guaranteeing the performance by the Purchaser of its obligations under the Share Sale Agreement;

(iii) the Sellers; and

(iv) the Covenantors.

The Purchaser is an investment holding company and an indirect subsidiary of the Company, incorporated solely for the purposes of the Acquisition.

Prior to Completion, a trust to which Mr. Stephen Ring (the descendant of the Target Company's founder Mr. Kevin Ring) is the beneficiary was the majority shareholder of the Target Company. Each of the Management Sellers is either an individual that is a current or former member of the management of the Target Company or a trustee company of a trust to which a current or former member of management of the Target Company is a beneficiary. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Sellers and their respective ultimate beneficial owners is a third party independent of the Company and its connected persons.

The Company entered into the Share Sale Agreement solely as guarantor of the due and punctual performance of the Purchaser's obligations under the Share Sale Agreement.

Assets to be acquired

The Sellers conditionally agreed to sell, and the Company conditionally agreed to acquire through the Purchaser, an approximately 83% equity interest in the Target Company, with the Sellers retaining an approximately 17% equity interest in the Target Company (pending exercise of the Roll-Up Call Option described below).

Consideration and Payment Terms

Pursuant to the Share Sale Agreement, the total consideration payable by the Purchaser for the Acquisition is approximately AUD1,386 million (equivalent to approximately RMB6,276 million) (subject to post-Completion adjustments), comprised of:

(i) cash consideration of AUD1,336 (equivalent to approximately RMB6,050 million), as described below;

(ii) non-cash consideration satisfied by way of the issue of the Consideration Shares to the value of AUD50 million (equivalent to approximately RMB226 million), as described below.

Cash consideration

Pursuant to the Share Sale Agreement, the cash consideration payable by the Purchaser for the Acquisition is AUD1,336 million (equivalent to approximately RMB6,050 million) (subject to post-Completion adjustments). The Purchaser has satisfied such cash consideration in the following manner:

(i) AUD83.5 million (equivalent to approximately RMB378 million) was paid in cash by the Purchaser to an escrow account (the "**Escrow Account**") as a deposit (the "**Deposit**") on the date of execution of the Share Sale Agreement; and

(ii) AUD1,252.5 million (equivalent to approximately RMB5,672 million):

  (a) minus the External Debt Payout Amount, the Company Dividend, 70% of the Swisse MISP Cash Bonus Amount and the Transaction Costs Amount (each as defined below);

  (b) minus the estimated accrued but unpaid income tax liability (the "**Income Tax Liability**") and certain agreed debt and debt-like items of the Target Company; and

  (c) plus the cash and cash equivalents of the Target Group (the "**Target Group Cash**"),

  was paid in cash by the Purchaser to the Sellers as the completion payment on the Completion Date.

After accounting for the above deductions, the net cash consideration payable by the Purchaser to the Sellers on Completion was AUD1,213 million (equivalent to approximately RMB5,493 million).

The cash consideration was sourced from funds made available to the Company under the Facility Agreement as well as the Company's own cash on hand.

On Completion, the Deposit less AUD15 million (equivalent to approximately RMB68 million) in the Escrow Account was paid to the Sellers. The Purchaser, by way of unsecured loans of AUD164 million (equivalent to approximately RMB743 million) provided the relevant members of the Target Group with funding for the following payments:

(i) to repay in full certain existing facility agreements entered into by certain members of the Target Group (the "**External Debt Payout Amount**");

(ii) to pay a cash dividend or other distribution declared by the Target Company to the Sellers (the "**Company Dividend**");

(iii) to pay certain eligible employees of the Target Company a cash bonus of approximately AUD95 million (the "**Swisse MISP Cash Bonus Amount**"), which is equivalent to the proceeds the eligible employees would have received had the convertible shares been converted to ordinary shares; and

(iv) to pay the external adviser costs and expenses incurred by the Target Group in relation to the Acquisition that were outstanding at Completion (the "**Transaction Costs Amount**").

The remaining amount standing to the credit of the Escrow Account after Completion has been retained in the Escrow Account for the purposes of any post-Completion adjustments or claims under the Share Sale Agreement, for a period of nine months after Completion (at which point any remaining amount is paid to the Sellers).

Adjustment to the cash consideration payable for the Acquisition

Within 60 Business Days of the Completion Date (subject to any disputes), the Purchaser and the Sellers must procure that a statement is prepared and agreed on the Target Group's working capital as at the Business Day immediately before the Completion Date (the "**Completion Working Capital Statement**"). If the working capital of the Target Group as set out in the Completion Working Capital Statement is higher or lower than AUD40 million (equivalent to approximately RMB181 million) plus the Target Group Cash and minus the Income Tax Liability, the Purchaser shall pay the Sellers the surplus or the Sellers shall pay the Purchaser the shortfall (as the case may be) in cash within five Business Days after the finalisation of the Completion Working Capital Statement. The balance in the Escrow Account will be used to set off, as far as is possible, any such adjustment amount payable by the Sellers to the Purchaser.

Non-cash consideration

In addition to the cash consideration payable for the Acquisition, the Share Sale Agreement provides for the issue of the Consideration Shares to the value of AUD50 million (equivalent to approximately RMB226 million) to the Sellers on Completion. The Stock Exchange granted approval for the listing of the Consideration Shares on 23 September 2015 and the Consideration Shares were issued on the Completion Date.

Basis of determination of the consideration

The aggregate consideration for the Acquisition was determined after arm's length negotiations between the parties to the Share Sale Agreement with reference to the business prospects, financial position and performance of the Target Group, the future synergies to be derived by the Company after the successful acquisition of the Target Group, and the reasons and benefits to be derived from the Acquisition as described further in this circular.

The Directors consider that the aggregate consideration for the Acquisition is fair and reasonable and that the Acquisition is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion was conditional on the following conditions having been fulfilled:

(i) the approval of the Acquisition by the Shareholders in accordance with Chapter 14 of the Listing Rules; and

(ii) the Treasurer of the Commonwealth of Australia having either:

(a) provided written notice which is unconditional or subject only to conditions acceptable to the Purchaser that there is no objection to the Acquisition under the FATA or Australian foreign investment policy; or

(b) become precluded from exercising any power to make an order under the FATA in relation to the Acquisition.

The Company obtained written Shareholders' approval for the Acquisition pursuant to Rule 14.44 of the Listing Rules, fulfilling the condition in (i) above, on 17 September 2015.

The Company obtained written notice from the Treasurer of the Commonwealth of Australia, fulfilling the condition in (ii) above, on 18 September 2015.

3. ISSUE OF THE CONSIDERATION SHARES UNDER THE GENERAL MANDATE

The Consideration Shares were issued and credited as fully paid on the Completion Date at an issue price of HKD13.48 each, representing approximately 3.4% of the existing issued share capital of the Company and approximately 3.3% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The authorised share capital of the Company is HKD100,000,000 divided into 10,000,000,000 shares of a par value of HKD0.01 each.

The Shareholders approved a general mandate in relation to issues of Shares at the Company's last annual general meeting. The Consideration Shares were issued from within the number of Shares which remained available for issue as at Completion under the general mandate.

The issue price for the Consideration Shares of HKD13.48 each was calculated with reference to the volume weighted average price of the Shares as quoted on the Stock Exchange for the five Business Days preceding the execution of the Share Sale Agreement and converted into AUD using the HKD/AUD exchange rate published by the Reserve Bank of Australia as at the close of business on the Business Day before execution of the Share Sale Agreement. Such issue price represented:

(i) a discount of approximately 0.1% to the closing price of HKD13.50 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 0.1% to the average closing price of HKD13.50 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and

(iii) a premium of approximately 3.8% to the average closing price of HKD12.99 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day.

The Consideration Shares rank pari passu in all respects with all other Shares currently in issue including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of the allotment and issue of the Consideration Shares. The Sellers have agreed to contractual undertakings not to sell, transfer or otherwise deal in 50% of the Consideration Shares for a period of 12 months from the Completion Date.

The issue of the Consideration Shares did not result in a change of control of the Company.

The Directors consider that the allotment and issue of the Consideration Shares as part of the consideration for the Acquisition, and the issue price of the Consideration Shares, is fair and reasonable and that the Acquisition is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

The following table sets out the shareholding interests in the Company: (i) as at the date of the Announcement; (ii) immediately after Completion; and (iii) as the Latest Practicable Date:

	As at the date of the Announcement		**Immediately following issue of the Consideration Shares**		**As at the Latest Practicable Date**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
Biostime Pharmaceuticals (China) Limited (合生元製藥(中國)有限公司) *(Note 1)*	450,000,000	73.8	450,000,000	71.4	450,000,000	71.4
Sellers	–	–	20,513,085	3.3	20,513,085	3.3
Other public shareholders	159,413,609	26.2	159,415,544	25.3	159,471,502	25.3
Total	609,413,609	100.0	629,928,629	100.0	629,984,587	100.0

Note 1: As at the Latest Practicable Date, Biostime Pharmaceuticals (China) Limited (合生元製藥(中國)有限公司), our controlling shareholder, is owned as to 47.71% by Coliving Limited, and therefore, Biostime Pharmaceuticals (China) Limited (合生元製藥(中國)有限公司) was deemed to be controlled by Coliving Limited. Coliving Limited is owned as to 59.00% by Flying Company Limited and 41.00% by Sailing Group Limited, and therefore, Coliving Limited is deemed to be controlled by each of Flying Company Limited and Sailing Group Limited. UBS Trustees (BVI) Limited, the trustee of each of the family trusts set up by Mr. Luo Fei as the settlor (the "**Mr. Luo Fei's Family Trust**") and Mr. Luo Yun as the settlor (the "**Mr. Luo Yun's Family Trust**"), through its nominee UBS Nominees Limited, holds the entire issued share capital of Flying Company Limited and Sailing Group Limited as the respective trust assets under Mr. Luo Fei's Family Trust and Mr. Luo Yun's Family Trust. Mr. Luo Fei and Mr. Luo Yun are Directors of the Company. The beneficiaries of Mr. Luo Fei's Family Trust and Mr. Luo Yun's Family Trust are Mr. Luo Fei and his family members, and Mr. Luo Yun and his family members, respectively.

4. THE SHAREHOLDERS' AGREEMENT

As of the Completion Date, the Purchaser held an approximately 83% equity interest in the Target Company and the Sellers hold an approximately 17% equity interest in the Target Company.

The Purchaser (as the majority shareholder), the Sellers (as minority shareholders) and the Target Company entered into the Shareholders' Agreement, in respect of the Target Company, simultaneously with entry into of the Share Sale Agreement. The operative terms of the Shareholders' Agreement came into effect on Completion. The principal terms of the Shareholders' Agreement are set out below.

Composition of the Target Company board

A maximum of five directors comprising:

(i) one director appointed by the minority shareholders (for as long as they in aggregate hold at least 50% of the shares in the Target Company held by them immediately after Completion);

(ii) Mr. Radek Sali, the current chief executive officer of the Target Group (for as long as he retains that role); and

(iii) three directors appointed by the Purchaser.

Quorum at board meetings of the Target Company

At least one director appointed by the Purchaser and at least one director appointed by the minority shareholders (unless there is only one director).

Disposal restrictions

The Purchaser may dispose of its shares in the Target Company at any time, subject to compliance with the minority shareholders' tag-along rights (as detailed below).

The minority shareholders may not dispose of their shares in the Target Company except in a limited number of defined circumstances, including:

(i) in the exercise of their tag-along rights or when compelled to in accordance with the Purchaser's drag-along rights (each as detailed below);

(ii) where the transferee controls or is controlled by the relevant minority shareholder;

(iii) where the disposal is first approved by the Purchaser and, if the minority shareholders in aggregate continue to hold at least 50% of the shares in the Target Company held immediately following Completion, approval by the minority shareholders holding in aggregate 50% of the shares in the Target Company held by the minority shareholders ("**Substantial Shareholder Approval**"); or

(iv) in the exercise of the Roll-Up Call Option described below.

Anti-dilution protections

The issue of securities in the Target Company may only take place:

(i) subject to the pro-rata pre-emption rights of each shareholder;

(ii) under an employee share plan, share option plan or similar plan approved by Substantial Shareholder Approval;

(iii) if such securities are issued as consideration for an acquisition permitted under the Shareholders' Agreement on arms' length terms and for fair market value;

(iv) as a means to remedy any undercapitalisation of the Target Company; or

(v) as otherwise approved by Substantial Shareholder Approval.

Tag-along rights

If the Majority Shareholder proposes to transfer any of its shares in the Target Company, or the Company or any Biostime Holding Company proposes to transfer any of its Biostime Holding Company Shares, to any third party (subject to certain exceptions including any transfer (i) to a co-investor up to 20% of the shares in the Target Company held by the Purchaser or 20% of the shares of a Biostime Holding Company, in the six months following Completion; or (ii) to a wholly-owned affiliate), each minority shareholder may require the Purchaser to make it a condition of such transfer that the third party buyer purchase up to all of the relevant minority shareholder's shares in the Target Company on a pro rata basis.

Drag-along rights	If the Majority Shareholder proposes to transfer all of its shares in the Target Company, or the Company or any Biostime Holding Company proposes to transfer all of its shares in any one Biostime Holding Company, to any third party, it may require each of the minority shareholders to transfer all of its shares in the Target Company on the same terms and conditions.
Early exit rights	If the Roll-Up Call Option is not exercised on or before the third anniversary of the Completion Date, or there is a change of control of Biostime Australia Holdings (but not, for the avoidance of doubt, any change of control in relation to the Company), the minority shareholders shall have the right to initiate preparations for an exit by (i) appointing an internationally recognised investment bank; and (ii) dragging the Majority Shareholder into an exit in relation to the shares it holds in the Target Company (provided that Biostime Australia Holdings does not take up its first priority right to acquire all of the shares in the Target Company held by the minority shareholders).
Defaults	If an event of default occurs in relation to a shareholder of the Target Company, the non-defaulting shareholders have the right (but not the obligation) to acquire the shares in the Target Company held by the defaulting shareholder at 90% of fair market value. Events of default include: (i) a disposal of shares in the Target Company in breach of the Shareholders' Agreement, or other material unremedied breach of the Shareholders' Agreement; (ii) a change of control of a shareholder (which includes any change of control of Biostime Australia Holdings but not, for the avoidance of doubt, any change of control in relation to the Company); and (iii) certain customary insolvency events.
Matters reserved for Substantial Shareholder Approval	Certain specific matters are subject to Substantial Shareholder Approval, including: (i) fundamental changes in the nature of the Target Group's business; (ii) reorganisations of the share capital of any member of the Target Group where any minority shareholder would be disproportionately affected;

(iii) giving of a loan or other financial assistance to a director of the Target Company or any of the minority shareholders (or their associates), subject to carve-outs in relation to the Facility Agreement and any refinancing thereof;

(iv) winding up and similar events in relation to any member of the Target Group;

(v) borrowings or financial accommodation which results in the Target Group's ratio of net debt to earnings before interest, tax, depreciation and amortisation ("**EBITDA**") equalling 3.5 times or above;

(vi) amendments to the Target Company's constitution;

(vii) certain share issues and changes in share capital of any member of the Target Group, subject to carve-outs for issues among members of the Target Group; and

(viii) certain related party transactions between the Target Group and the Group, except where on an arm's length basis.

Non-compete The shareholders in the Target Company have each agreed to certain non-compete undertakings to protect the business of the Swisse Group, subject to customary exceptions.

5. THE ROLL-UP CALL OPTION DEED

The Purchaser and the Sellers entered into the Roll-Up Call Option Deed simultaneously with entry into of the Share Sale Agreement. The operative terms of the Roll-Up Call Option Deed came into effect on Completion.

Under the Roll-Up Call Option Deed, the Purchaser has the right (exercisable in its sole discretion) subject to the satisfaction of certain conditions described below, to require the Sellers to sell all of the shares they continue to hold in the Target Company after Completion to Biostime Australia Holdings, in exchange for an issue of shares representing an equivalent stake in Biostime Australia Holdings, at any time prior to the third anniversary of the Completion Date.

Completion of the exercise of the Roll-Up Call Option is conditional on the following conditions having been fulfilled:

(i) the approval of the transactions contemplated under the Roll-Up Call Option Deed by the Shareholders in accordance with Chapter 14 of the Listing Rules; and

(ii) the Treasurer of the Commonwealth of Australia having either:

(a) provided written notice which is unconditional or subject only to conditions acceptable to the Purchaser that there is no objection to the proposed acquisition of the shares in the Target Company that are the subject of the Roll-Up Call Option under the FATA or Australian foreign investment policy; or

(b) become precluded from exercising any power to make an order under the FATA in relation to the proposed acquisition of the shares in the Target Company that are the subject of the Roll-Up Call Option.

On completion of the exercise of the Roll-Up Call Option (and assuming there are no other transactions in relation to the share capital of the Target Company prior to completion of the Roll-Up Call Option): (i) the Purchaser would hold the entire issued share capital of the Target Company; and (ii) Biostime Australia would hold an approximately 83% equity interest in Biostime Australia Holdings and the Sellers would hold an approximately 17% equity interest in Biostime Australia Holdings. On completion of the exercise of the Roll-Up Call Option, Biostime Australia, Biostime Australia Holdings, the Company and the Sellers would enter into a shareholders' agreement in the form annexed to the Roll-Up Call Option Deed (the "**Roll-Up Shareholders' Agreement**") and the Shareholders' Agreement described above in relation to the Target Company would terminate.

The principal terms of the Roll-Up Shareholders' Agreement would be identical to those in the Shareholders' Agreement described above, subject to: (i) amendments which purely reflect the fact that Biostime Australia Holdings is the relevant investee company rather than the Target Company; (ii) the removal of the provisions described in the paragraph titled "Early Exit Rights" under "The Shareholders' Agreement" above; and (iii) the grant of the Holdco Put Option and the Holdco Call Option as defined and described below.

"**Holdco Put Option**"	Each minority shareholder will have the right to require Biostime Australia to buy all of its shares in Biostime Australia Holdings on the third, fifth, sixth, seventh and eighth anniversaries of the Completion Date.
"**Holdco Call Option**"	Biostime Australia will have the right to require any minority shareholder to sell all of its shares in Biostime Australia Holdings on the fifth, sixth, seventh and eighth anniversaries of the Completion Date.

The price payable for the shares in Biostime Australia Holdings on completion of the exercise of the Holdco Put Option or the Holdco Call Option will be fair market value, as determined by an expert. In the case of an exercise of the Holdco Put Option (only) in the exercise period which immediately follows the third anniversary of the Completion Date, the fair market value of the relevant shares in Biostime Australia Holdings will be determined on the assumption that the financial indebtedness included in the Target Group at such time is the lower of: (i) net debt of the Target Group as at the date of such valuation; and (ii) 2.0x times the Target Group's consolidated EBITDA in the 12 calendar months preceding the date of such valuation.

The Company expects that it will be required to treat the exercise of the Roll-Up Call Option (including the entry into of the Roll-Up Shareholders' Agreement and the grant of the Holdco Put Option and Holdco Call Option) as aggregated with the Acquisition for the purposes of Rule 14.22 of the Listing Rules. This may result in one or more of the applicable percentage ratios in respect of the Acquisition and the exercise of the Roll-Up Call Option exceeding 25% but being less than 100%, or alternatively, exceeding 100%, as calculated under Rule 14.07 of the Listing Rules. Accordingly, the exercise of the Roll-Up Call Option when aggregated with the Acquisition will constitute a major transaction or a very substantial acquisition and in such circumstances, would be subject to the relevant notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules at such time. The Company reserves the right to seek Shareholders' approval for the exercise of the Roll-Up Call Option and (to the extent necessary) the grant and possible future exercise of the Holdco Put Option and the Holdco Call Option in advance of any exercise of the Roll-Up Call Option.

6. THE FACILITY AGREEMENT

Key terms of the Facility Agreement

On 17 September 2015, the Company and Biostime HK entered into the Facility Agreement with, among others, ANZ and HSBC (as Mandated Lead Arrangers and Original Lenders). The Facility Agreement provides for up to USD450 million of bridge financing for the Acquisition and is repayable on the earlier of: (i) the date that is 364 days after the first utilisation date; and (ii) 30 November 2016. The Company intends to refinance the bridge facility advanced under the Facility Agreement as soon as possible.

The Facility Agreement contains a provision which is required to be disclosed to Shareholders pursuant to Rule 13.18 of the Listing Rules. If Mr. Luo Fei, Mr. Wu Xiong, Mr. Luo Yun, Mr. Cheng Fufang, Dr. Zhang Wenhui and Ms. Kong Qinjun collectively: (i) cease directly or indirectly to hold beneficially at least 65% of the issued share capital of the Company (except as a result of an issuance of Shares as permitted under the Facility Agreement, in which case the threshold is reduced to the higher of 51% and (if the aggregate beneficial shareholding in the Company after such issue is equal to or less than 65% of the issued share capital of the Company) the aggregate beneficial shareholding in the Company after such issue); or (ii) cease to control the Company, then the bridge facility advanced under the Facility Agreement will be cancelled and the outstanding loans (together with accrued interest and all other amounts accrued under or related to the Facility Agreement) shall become immediately due and payable.

Security package granted in connection with the Facility Agreement

In connection with the Facility Agreement, security has been given over shares in certain of the Company's direct and indirect subsidiaries, namely Biostime Hong Kong Limited (合生元香港有限公司), Mama100 International Holdings Limited (媽媽一百國際控股有限公司), Mama100 International Investment Limited (媽媽一百國際投資有限公司), Biostime International Investment Limited (合生元國際投資有限公司), Biostime Healthy (BVI) Limited, Biostime Healthy (Cayman) Limited, Biostime Healthy II (BVI) Limited, Biostime HK, 合生元(廣州)健康產品有限公司 (Biostime (Guangzhou) Health Products Limited*) 廣州市合生元生物製品有限公司 (Biostime Inc. (Guangzhou)*) (廣州葆艾嬰幼兒護理用品有限公司 (BMcare Baby Products Inc. (Guangzhou)*), 長沙素加營養品有限公司(Adimil (Changsha) Nutrition Products Limited*), Biostime Australia, Biostime Australia Holdings, the Purchaser and the Target Company.

Biostime Hong Kong Limited (合生元香港有限公司), Mama100 International Holdings Limited (媽媽一百國際控股有限公司), Mama100 International Investment Limited (媽媽一百國際投資有限公司), Biostime International Investment Limited (合生元國際投資有限公司), Biostime Healthy (BVI) Limited, Biostime Healthy (Cayman) Limited, Biostime Healthy II (BVI) Limited, Biostime HK, Biostime Australia, Biostime Australia Holdings, the Purchaser and the Company have also provided security over any intra-group receivables lent by them to other members of the Group. The Company has provided security over structural intra-group loans associated with the Acquisition.

In addition, each of Biostime Healthy (BVI) Limited, Biostime Healthy (Cayman) Limited, Biostime Healthy II (BVI) Limited and Biostime HK has provided (all assets) security, including security over their accounts, book debts and certain contracts and each of Biostime Australia, Biostime Australia Holdings and the Purchaser has provided general (all assets) security, including security over the Purchaser's interest in the Share Sale Agreement and shares in the Target Company.

No security for the bridge facility will be provided by the Target Group (however, subject to completing the necessary whitewash process to comply with Australian law, members of the Target Group are required to accede as guarantors within 45 days of the Completion Date).

7. INFORMATION ON THE GROUP

The Group is principally engaged in providing premium paediatric nutritional and baby care products in the PRC, including premium probiotic supplements for children, infant formulas, dried baby food products and baby care products for infants and children.

8. INFORMATION ON THE TARGET GROUP

Business of the Target Group

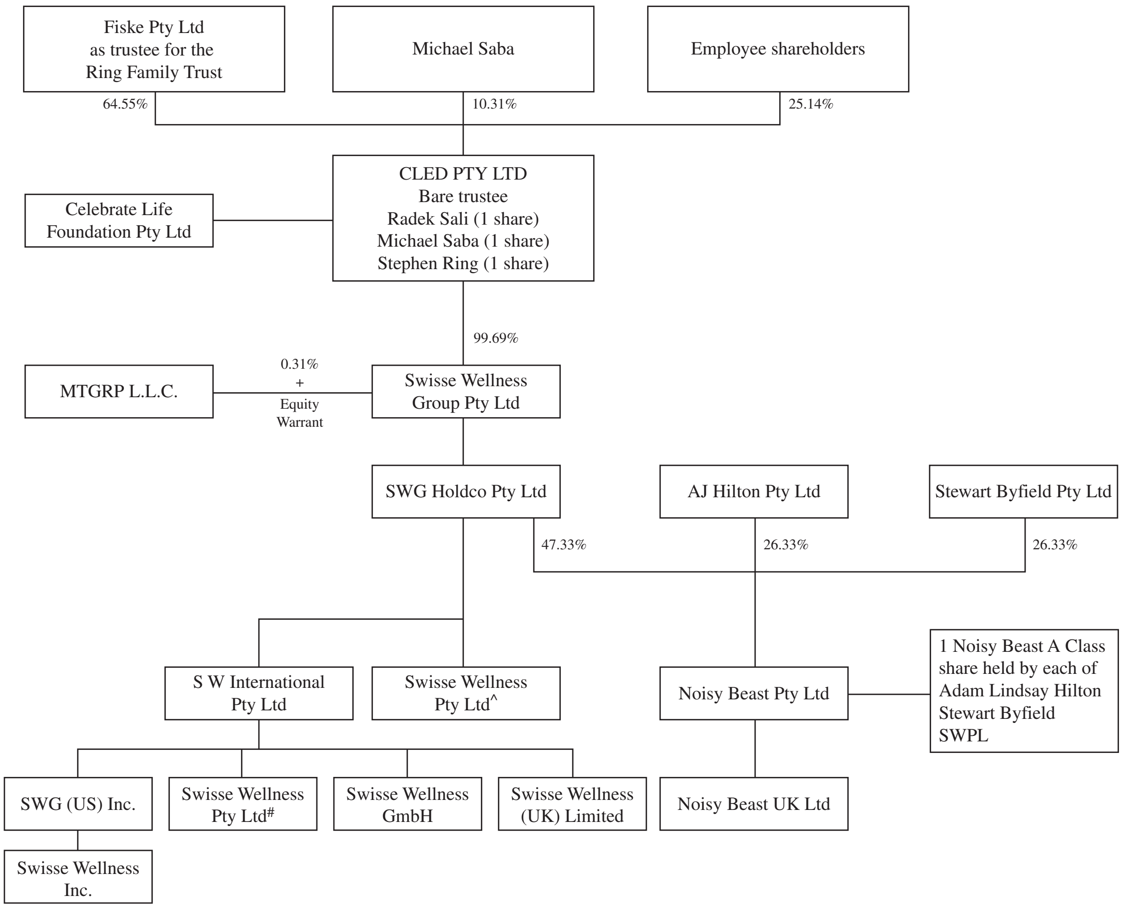
The Target Group is principally engaged in research, marketing and distribution of vitamins, health supplements, skincare and sports nutrition products in Australia and New Zealand under the "Swisse" brand.

Corporate structure of the Target Group

Prior to Completion, a trust to which Mr. Stephen Ring (the descendant of the Target Company's founder Mr. Kevin Ring) is the beneficiary was the majority shareholder of the Target Company. Each of the Management Sellers is either an individual that is a current or former member of the management of the Target Company or a trustee company of a trust to which a current or former member of management of the Target Company is a beneficiary.

Set out below is: (i) the shareholding structure of the Target Group as it was at the date of the Announcement; and (ii) the shareholding structure of the Target Group and its parent companies at Completion and members of the Group providing security in connection with the Facility Agreement. Unless otherwise indicated, all entities are wholly owned subsidiaries.

(i) As at the date of the Announcement



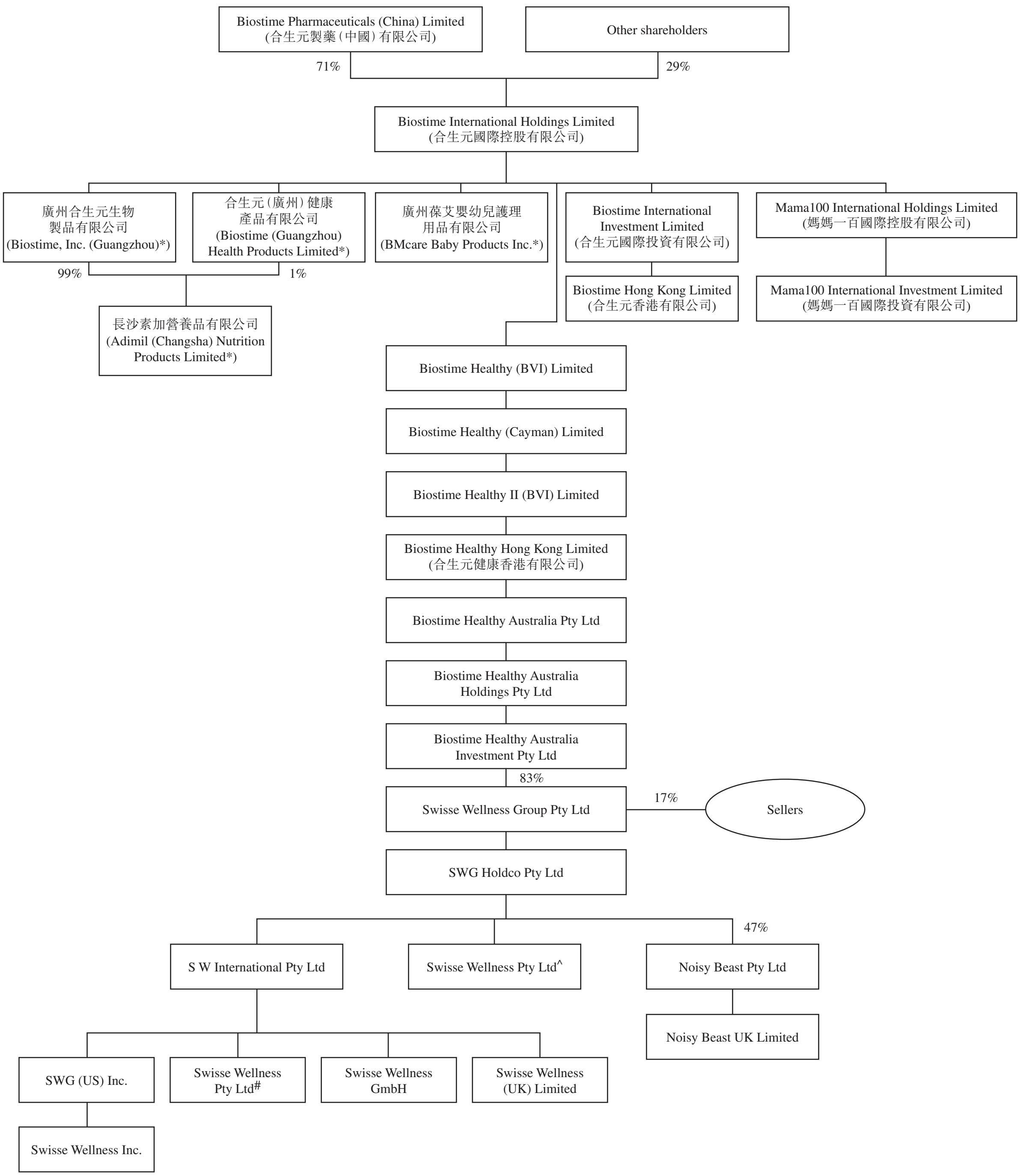
Note 1: At the date of the Announcement, MTGRP L.L.C., an investment holding company and a wholly-owned subsidiary of Goldman Sachs Group, Inc., held approximately 0.3% of the shares in the Target Company and equity warrants in relation to approximately a further 4% of the shares in the Target Company. The equity warrants were exercised by MTGRP L.L.C. prior to Completion and all of the shares in the Target Company then held by MTGRP L.L.C. were transferred to Fiske Pty Ltd (as trustee for the Ring Family Trust) prior to Completion. Accordingly, MTGRP L.L.C. is not party to the Share Sale Agreement and is not a Seller.

Note 2: Biostime Australia Holdings has issued one class B share to a nominee of the Sellers, in order to protect the Sellers' commercial interests in Biostime Australia Holdings unless and until the Roll-Up Call Option is exercised. This class B share entitles the holder to limited voting rights but will entitle the holder to nominate a director to the board of Biostime Australia Holdings until completion of the Roll-Up Call Option.

^ *Incorporated in Australia*

Incorporated in New Zealand

(ii) At Completion



^ *Incorporated in Australia*

Incorporated in New Zealand

Financial information on the Target Group

Set out below is the audited financial information of the Target Group for the years ended 30 June 2014 and 30 June 2015, and as at 30 June 2015, extracted from the accountant's report on the Target Group included in Appendix II to this circular. The Target Group's consolidated audited financial statements are prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board.

	For the year ended 30 June 2014 (audited) *(Note 1)*	For the year ended 30 June 2015 (audited)
Revenue from continuing operations	AUD125,550,569	AUD313,064,953
Earnings before interest, taxes, depreciation and amortization	AUD3,334,122	AUD112,639,178
Profit/(loss) before taxation from continuing operations	AUD(7,199,580)	AUD102,531,095
Profit/(loss) after taxation from continuing operations	AUD(5,613,024)	AUD73,748,488
Total comprehensive income/(loss) from continuing operations	AUD(6,791,741)	AUD72,902,123

	As at 30 June 2015 (audited)
Net assets	AUD20,594,656

Note 1: The Target Group incurred AUD33,795,935 of losses from discontinued operations in the year ended 30 June 2014, which have been excluded from the table above.

9. FINANCIAL EFFECTS OF THE ACQUISITION

The Acquisition completed on 30 September 2015 and, accordingly, the Company now has an approximately 83% effective equity interest in the Target Group and the financial information of the Target Group will now be consolidated into the accounts of the Group.

Appendix III to this circular presents the unaudited pro forma financial information of the Enlarged Group and describes the basis of preparation thereof.

Earnings

As stated in the Company's annual report for the year ended 31 December 2014, the Group recorded an audited consolidated net profit attributable to owners of the Company for the year ended 31 December 2014 of approximately RMB807 million.

Upon Completion, the Target Company will become a non-wholly owned subsidiary of the Company, and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Group after Completion.

Assets and Liabilities

The audited consolidated total assets and total liabilities of the Group as at 31 December 2014, as stated in the Company's annual report for the year ended 31 December 2014, were approximately RMB6,631 million and RMB3,714 million respectively.

As set out in Appendix III to this circular, the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group illustrates the effect of Completion on the Group. Assuming that the Acquisition had completed on 30 June 2015, the total assets of the Enlarged Group as at that date would have increased from approximately RMB6,614 million to approximately RMB11,490 million. The total liabilities of the Enlarged Group as of 30 June 2015 would have increased from approximately RMB3,656 million to approximately RMB8,055 million.

For the purposes of preparing the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to this circular, the Company has estimated the fair value of the identifiable assets and liabilities of the Target Company as at 30 June 2015 based on the valuation report prepared by American Appraisal China Limited (the "**Valuation Report**"), an independent valuer engaged by the Company. The income approach applied in the valuations of the trademark, customer relationships and royalty agreement of the Target Company in that valuation report (the "**Valuation**") are regarded as profit forecasts under Rule 14.61 of the Listing Rules (together, "**Forecasts**").

For the purpose of Rule 14.62 of the Listing Rules, the major assumptions on which the Forecasts were based are set out below:

(1) there will be no major changes in the existing political, legal, fiscal and economic conditions and regulatory environment in related industries in Australia and New Zealand in which the Target Company carries on its business;

(2) there will be no material change in legislation, regulation or rule in Australia and New Zealand that will adversely affect the business of the Target Company;

(3) there will be no material changes in the bases or rates of taxation in Australia and New Zealand applicable to the activities of the Target Company;

(4) there will be no significant inflation or deflation, change in interest rate or exchange rates from those presently prevailing; and

(5) the Target Company's operations will not be materially affected or interrupted by any force majeure events, unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including but not limited to the occurrence of natural disasters, epidemics or serious accidents.

Please refer to Note 3 of Appendix III for further details of the valuations.

A letter from HSBC, written in its capacity as financial adviser to the Company in relation to the Acquisition, is set out in Appendix V to this circular for the purpose of Rule 14.62 of the Listing Rules. On the basis of the matters set out in the letter in Appendix V, HSBC is of the opinion that the Forecasts underlying the Valuation, for which the Directors of the Company are solely responsible, have been made after due and careful enquiry.

Ernst & Young, the Company's reporting accountant for the Acquisition, has issued a report on the calculations for the discounted cash flows on which the Forecasts were based. Please refer to Appendix VI to this circular for this report.

Liquidity

The cash consideration for the Acquisition was sourced from funds made available to the Company under the Facility Agreement as well as the Company's own cash on hand.

If the Acquisition had been completed on 30 June 2015, the net cash position of approximately RMB1,887 million of the Group as at 30 June 2015 would have changed to a net debt position of approximately RMB3,817 million of the Enlarged Group.

10. REASONS FOR AND BENEFITS OF THE ACQUISITION

Prior to Completion, the Group was principally engaged in businesses related to infant nutrition and care products in the PRC, where it has established a strong base. While continuing to invest in growing its core business, the Board also sees the potential of utilizing its strong consumer base, innovative research & development and marketing models, as well as its strong distribution network to expand beyond existing business segments. With the ultimate goal of enhancing shareholder value, the Group has been consistently seeking complementary business opportunities to strengthen its product offering, operational efficiency and financial position. The Group has identified the market of premium family nutritional products as a potential area for development. The changing lifestyle and increasing awareness of personal health and well-being will continue to drive the demand of health and wellness products in the PRC and globally. The Group believes that such products are highly complementary to its existing product portfolio and can create synergies with its existing businesses. The acquisition of Swisse aligns with the Group's strategic goal.

Swisse is a strong player in the Australian vitamin and herbal and mineral supplements segment. Swisse has a large and differentiated portfolio of premium nutrition supplement products across key categories and has displayed robust growth in recent years which it owes to its unique formulations, proven quality and track-record of innovation, together with an aspirational brand supported by strong sales and marketing teams. The strong appetite of Chinese consumers for overseas quality supplements is expected to support Swisse's strong momentum for growth. The Group believes that the Acquisition will enable Swisse to grasp this growing demand by growing internet sales while activating sales through the Group's extensive distribution channels, thus resulting in significant revenue synergies.

In addition, Swisse has embarked on a global market expansion strategy by entering into a collaboration agreement with PGT Healthcare LLP (a joint venture between Procter & Gamble and Teva Pharmaceutical Industries), with a plan to increase Swisse's global presence.

The Board believes that the Acquisition will benefit both the Group and Swisse, providing Swisse with a unique expansion platform in the PRC through the Group's extensive sales network, while providing the Group with a unique opportunity to enter into the adult supplements segment with a powerful and well received international brand. The partnership will also enable the Group to diversify and expand its geographic presence, not only in the Australian market but also internationally through Swisse's global collaboration agreement with PGT Healthcare LLP.

Swisse has displayed robust financial performance, with a compound annual growth rate in gross sales of approximately 28% between its financial years ended 30 June 2013 and 2015, while showing significant margin improvement and strong cash generating capabilities. As a result, the Acquisition is expected to be growth and margin accretive to the Group.

Apart from market expansion, the Board expects to achieve synergies from the Acquisition through sharing supplier bases for procurement, research and development, new product development, sales and marketing expenses, as well as in the sharing of best practices.

Swisse has an experienced senior management team, who remain with the Target Group on Completion and have retained part of their shareholding in the Target Group. The Board believes such arrangement will help ensure a smooth transition to new ownership, align interests and incentivize Swisse's senior management team to continue drive performance and synergies within the Enlarged Group. The current Chief Executive Officer of the Target Group, Mr. Radek Sali, has committed to the Company and the Target Company that he will remain with the Target Group for at least one year after the Completion Date.

The aggregate of the remuneration payable to and benefits in kind receivable by the directors of the Company and the Purchaser will not be varied in consequence of the Acquisition.

Having considered the above factors, the Directors are of the view that the Acquisition and the terms of the Share Sale Agreement (including the consideration for the Acquisition) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

11. IMPLICATIONS UNDER THE LISTING RULES AND WRITTEN SHAREHOLDER APPROVAL

As one or more of the applicable percentage ratios in respect of the Acquisition exceeds 25% but is less than 100%, as calculated under Rule 14.07 of the Listing Rules, the Acquisition constitutes a major transaction and is therefore subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition which is different from other Shareholders, and thus no Shareholder would be required to abstain from voting at a general meeting if such a general meeting were to be convened.

Written Shareholders' Approval

On 17 September 2015, the Company obtained written Shareholders' approval for the Acquisition pursuant to Rule 14.44 of the Listing Rules from Biostime Pharmaceuticals (China) Limited (合生元製藥(中國)有限公司), the controlling shareholder of the Company which then held 450,000,000 Shares (representing approximately 73.84% of the issued share capital of the Company as at the date of such approval). Accordingly, no Shareholders' meeting will be held to approve the Acquisition pursuant to Rule 14.44 of the Listing Rules.

12. WAIVER FROM STRICT COMPLIANCE WITH LISTING RULE 4.03

The Company has engaged PricewaterhouseCoopers Securities Ltd and PricewaterhouseCoopers Australia (together, "**PwC Australia**") to issue the accountant's report on the Target Group. The Company has applied for and the Stock Exchange has granted, a waiver from strict compliance with Rule 4.03 of the Listing Rules and permitted such statements to be reported by PwC Australia on the basis that PwC Australia complies with the relevant independence requirements and auditing standards required of reporting accountants under the Listing Rules.

13. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Biostime International Holdings Limited
Luo Fei
Chairman

1. FINANCIAL INFORMATION

The financial information of the Group:

(a) for the year ended 31 December 2012 is disclosed on pages 59 to 120 of the annual report of the Company for the year ended 31 December 2012;

(b) for the year ended 31 December 2013 is disclosed on pages 67 to 138 of the annual report of the Company for the year ended 31 December 2013;

(c) for the year ended 31 December 2014 is disclosed on pages 87 to 174 of the annual report of the Company for the year ended 31 December 2014; and

(d) for the six months ended 30 June 2015 is disclosed on pages 29 to 68 of the interim report of the Company for the six months ended 30 June 2015.

All these reports have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.biostime.com.cn).

2. WORKING CAPITAL STATEMENT OF THE ENLARGED GROUP

The Directors are of the opinion that, after taking into account Completion and the present financial resources available to the Enlarged Group, including internally generated revenue and funds and other available banking facilities, which include a bridge facility of USD450 million (the "**Bridge Facility**") and the successful refinancing of such facility when due, the Enlarged Group will have sufficient working capital to meet its present requirements for at least twelve months following the date of this circular.

The Company intends to refinance the bridge facility advanced under the Facility Agreement as soon as possible and before the maturity date of 27 September 2016. As at the Latest Practicable Date, the Company is evaluating the timing, costs, market conditions and limitations of the various financing methods available to refinance the Bridge Facility. The Company is exploring appropriate debt financing methods, including but not limited to a new syndicated term loan and/or the issue of bonds. The Company is in active discussions with several banks in relation to the arrangement of such debt financing options. The Company may also explore equity financing or a combination of the financing options described above, in order to ensure that the Enlarged Group will have sufficient working capital to meet its present requirements for at least twelve months following the date of this circular.

3. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2015, being the most recent practicable date for the purpose of this statement, the Enlarged Group had total borrowings amounting to approximately RMB7,263 million, of which RMB3,693 million were secured, details of which are as follows:

	The Group	The Target Group	Total
	RMB'000	*RMB'000*	*RMB'000*
Unsecured and unguaranteed interest-bearing bank loans	989,999	–	989,999
Secured and guaranteed interest-bearing bank loans	3,692,585	–	3,692,585
Unsecured and unguaranteed finance lease obligations	–	250	250
Unsecured and unguaranteed convertible bonds	2,580,569	–	2,580,569
Total	7,263,153	250	7,263,403

On 20 February 2014, the Company issued zero coupon convertible bonds (the "**Convertible Bonds**") due 2019 in the aggregate principal amount of HK$3,100 million (Stock Code: 6024). The bonds are convertible into shares of the Company at an initial conversion price of HK$90.84 per share prior to 20 February 2019 by the bond holders, or are subject to call for redemption by the Company under certain conditions. No Convertible Bonds were converted into shares of the Company up to date and the carrying amount of the Convertible Bonds as at 30 September 2015 remained at RMB2,581 million.

As at 30 September 2015, the Enlarged Group had bank borrowings of approximately RMB830 million which are secured by pledged bank deposits of approximately RMB848 million. In addition, the Enlarged Group's secured bank borrowings of approximately RMB2,863 million were secured by way of the Group's shares in certain of the Company's direct and indirect subsidiaries and the Group's other assets as described in this Circular.

As at 30 September 2015, the total guarantees issued by the Enlarged Group secured indebtedness of approximately RMB2,863 million.

Apart from intra-group liabilities and normal trade business, as at 30 September 2015, the Enlarged Group did not have any other outstanding borrowings, loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

4. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

As mentioned under the paragraph headed "Reasons for and benefits of the Acquisition" in the Letter from the Board in this circular, the Acquisition provides the Enlarged Group with a unique opportunity to enter the adult supplements segment with the powerful and well received international "Swisse" brand, while providing Swisse with a unique expansion platform in the PRC through the Group's extensive sales network. The partnership will also enable the Enlarged Group to diversify and expand its geographic footprint, not only in the Australian market but also internationally through Swisse's global collaboration agreement with PGT Healthcare LLP, a joint venture between Procter & Gamble and Teva Pharmaceutical Industries.

Apart from market expansion, the Board expects to achieve synergies from the Acquisition through sharing supplier bases for procurement, research and development, new product development, sales and marketing expenses, as well as in the sharing of best practices.

The Board believes that the Enlarged Group is ready to grow itself from being a provider of premium pediatric nutritional and baby care products in the PRC, to a premium nutrition provider for families in China and globally.

5. MATERIAL CHANGE

The Directors are not aware of any material adverse change to the financial or trading position of the Group since 31 December 2014, being the date on which the latest published audited accounts of the Company were made up.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Chartered Accountants, Australia and PricewaterhouseCoopers Securities Ltd. for the purpose of incorporation in this circular.

pwc

The Directors
Biostime International Holdings Limited
Unit No. 3508, 35th Floor, West Tower
Shun Tak Centre
200 Connaught Road Central
Hong Kong

9 November 2015

Dear Sirs,

PricewaterhouseCoopers Securities Ltd and PricewaterhouseCoopers Australia ("**PwC Australia**") ("**we/us**") report on the financial information of Swisse Wellness Group Pty Ltd (the "**Target Company**") and its subsidiaries (together, the "**Target Group**"), which comprises the consolidated statements of financial position of the Target Group as at 30 June 2013, 2014 and 2015, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 30 June 2013, 2014 and 2015 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Biostime International Holdings Limited (the "**Company**") and is set out in Sections I to III below for inclusion in Appendix II to the circular of the Company dated 9 November 2015 (the "**Circular**") in connection with the acquisition of the Target Group by the Company.

The Target Company was incorporated in Australia on 13 September 2012 as a company with limited liability under the Corporations Act 2001 of Australia.

As at the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in Note 27 of Section II below.

PricewaterhouseCoopers Securities Ltd is a wholly owned company of PwC Australia. The consolidated financial statements of the Target Group for each of the years ended 30 June 2013, 2014 and 2015 were audited by PwC Australia pursuant to separate terms of engagement with the Target Group and I was the audit partner of PwC Australia responsible for those audits.

The directors of the Target Company during the Relevant Periods are responsible for the preparation of the consolidated financial statements of the Target Group that give a true and fair view in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board 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. The consolidated financial statements of the Target Group also comply with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

The financial information has been prepared based on the audited consolidated financial statements of the Target Group after making such adjustments as are appropriate.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "**Group**") as set out in the Company's interim report for the six month period ended 30 June 2015.

REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

OPINION

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Group as at 30 June 2013, 2014 and 2015 and of the Target Group's results and cash flows for the Relevant Periods then ended.

I FINANCIAL INFORMATION OF THE TARGET GROUP

The following is the financial information of the Target Group prepared by the directors of the Company as at 30 June 2013, 2014 and 2015 and for each of the years ended 30 June 2013, 2014 and 2015 (the "**Financial Information**").

(A) Consolidated statements of financial position

As at 30 June

	Notes	**2013** *AUD $'000*	**2014** *AUD $'000*	**2015** *AUD $'000*
NON-CURRENT ASSETS				
Receivables	11	3,433	6,960	297
Investment accounted for using the equity method		325	–	–
Property, plant and equipment	12	6,542	5,285	3,145
Deferred tax assets	14, 20	3,012	4,645	3,416
Intangible assets	15	2,078	1,636	1,361
Total non-current assets		15,390	18,526	8,219
CURRENT ASSETS				
Cash and cash equivalents	8	797	14,146	57,219
Trade and other receivables	9	50,296	30,632	116,464
Inventories	10	16,875	13,785	18,303
Current tax receivables		2,969	273	–
Total current assets		70,937	58,836	191,986
CURRENT LIABILITIES				
Trade and other payables	16	65,801	54,766	110,077
Borrowings	17	28,450	1,759	553
Current tax liabilities	13	–	–	24,214
Provisions	18	822	634	781
Total current liabilities		95,073	57,159	135,625
NET CURRENT (LIABILITIES)/ASSETS		(24,136)	1,677	56,361
TOTAL ASSETS LESS CURRENT LIABILITIES		(8,746)	20,203	64,580

	Notes	**2013** *AUD* *$'000*	**2014** *AUD* *$'000*	**2015** *AUD* *$'000*
NON-CURRENT LIABILITIES				
Borrowings	19	1,646	66,353	43,734
Provisions	21	90	171	251
Total non-current liabilities		1,736	66,524	43,985
NET (LIABILITIES)/ASSETS		(10,482)	(46,321)	20,595
EQUITY				
Contributed equity	22	1	1	2,512
Other reserves	24(a)	554	4,125	3,278
Retained profits/(accumulated losses)	24(b)	(11,037)	(50,989)	13,533
Non-controlling interests	27	–	542	1,272
TOTAL (DEFICIT)/EQUITY		(10,482)	(46,321)	20,595

(B) Consolidated statements of comprehensive income
For the year ended 30 June

	Notes	2013 AUD $'000	2014 AUD $'000	2015 AUD $'000
Revenue from continuing operations	4	149,730	125,551	313,065
Other income	5	9	5,479	175
Materials, consumables and freight		(65,660)	(61,601)	(118,924)
Employee benefits expense		(16,255)	(19,112)	(26,898)
Depreciation and amortisation expense	6	(2,298)	(3,080)	(3,067)
Advertising and marketing expenses		(45,128)	(29,736)	(26,499)
Selling and other rebates		(10,460)	(4,160)	(5,056)
Occupancy expenses		(1,181)	(1,571)	(2,183)
Administration expenses		(5,253)	(3,826)	(8,338)
Distribution costs		(4,513)	(2,733)	(5,610)
Other expenses		(5,116)	(5,044)	(6,441)
Finance costs	6	(2,745)	(7,680)	(7,693)
Share of profit from associates		326	312	–
(Loss)/profit before income tax		(8,544)	(7,201)	102,531
Income tax (expense)/benefit	7	2,786	1,587	(28,783)
(Loss)/profit from continuing operations		(5,758)	(5,614)	73,750
(Loss)/profit from discontinued operation	30	(11,563)	(33,796)	–
(Loss)/profit for the year		(17,321)	(39,410)	73,750
Other comprehensive income/(loss)				
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	24(a)	554	(1,179)	(847)
Other comprehensive income/(loss) for the year, net of tax		554	(1,179)	(847)
Total comprehensive income/(loss) for the year		(16,767)	(40,589)	72,903

	Notes	2013 AUD $'000	2014 AUD $'000	2015 AUD $'000
(Loss)/profit is attributable to:				
Owners of Swisse Wellness Group Pty Ltd		(17,321)	(39,952)	72,351
Non-controlling interests		–	542	1,399
		(17,321)	(39,410)	73,750
Total comprehensive (loss)/income for the year is attributable to:				
Owners of Swisse Wellness Group Pty Ltd		(16,767)	(41,131)	71,504
Non-controlling interests		–	542	1,399
		(16,767)	(40,589)	72,903

Details of dividends paid and proposed for each period are disclosed in note 23.

(C) Consolidated statement of changes in equity

For the year ended 30 June

	Notes	Contributed equity AUD $'000	Other reserves AUD $'000	Retained profits/ (Accumulated losses) AUD $'000	Total AUD $'000	Non-controlling interests AUD $'000	Total equity/ (deficiency in equity) AUD $'000
Balance at 1 July 2012		1	–	6,384	6,385	–	6,385
Profit/(loss) for the year		–	–	(17,321)	(17,321)	–	(17,321)
Other comprehensive income/(loss)		–	554	–	554	–	554
Total comprehensive income/(loss) for the year		–	554	(17,321)	(16,767)	–	(16,767)
Transactions with owners in their capacity as owners:							
Dividends provided for or paid	23	–	–	(100)	(100)	–	(100)
Balance as 30 June 2013		1	554	(11,037)	(10,482)	–	(10,482)
Balance at 1 July 2013		1	554	(11,037)	(10,482)	–	(10,482)
Profit/(loss) for the year		–	–	(39,952)	(39,952)	542	(39,410)
Other comprehensive income/(loss)		–	(1,179)	–	(1,179)	–	(1,179)
Total comprehensive income/(loss) for the year		–	(1,179)	(39,952)	(41,131)	542	(40,589)
Transactions with owners in their capacity as owners:							
Issue of warrants		–	4,750	–	4,750	–	4,750
Balance as 30 June 2014		1	4,125	(50,989)	(46,863)	542	(46,321)
Balance at 1 July 2014		1	4,125	(50,989)	(46,863)	542	(46,321)
Profit/(loss) for the year		–	–	72,351	72,351	1,399	73,750
Other comprehensive income/(loss)		–	(847)	–	(847)	–	(847)
Total comprehensive income/(loss) for the year		–	(847)	72,351	71,504	1,399	72,903
Transactions with owners in their capacity as owners:							
Contributions of equity, net of transaction costs and tax	22	2,511	–	–	2,511	–	2,511
Dividends paid	23	–	–	(7,829)	(7,829)	(669)	(8,498)
Balance as 30 June 2015		2,512	3,278	13,533	19,323	1,272	20,595

(D) Consolidated statement of cash flows

For the year ended 30 June

	Notes	2013 AUD $'000	2014 AUD $'000	2015 AUD $'000
Cash flows from operating activities				
(Loss)/profit for the year		(17,321)	(39,409)	73,750
Depreciation and amortisation		2,298	3,080	3,067
Inventory provision		(1,511)	(59)	(1,447)
Discontinued operations		–	11,663	–
Provision for doubtful debts		–	4,832	300
Unwinding of discount on loan payable		–	1,270	2,123
Other non-cash items		653	342	(1,148)
Change in operating assets and liabilities:				
(Increase) decrease in trade and other receivables		(6,064)	11,614	(80,857)
(Increase) decrease in inventories		–	3,148	(3,070)
Decrease (increase) in deferred tax assets		(2,497)	(1,617)	1,229
Increase (decrease) in trade and other payables		6,197	(22,698)	57,296
Increase in provision for income taxes payable		(4,135)	2,697	24,487
Increase (decrease) in other provisions		325	(108)	228
Net cash (outflow)/inflow from operating activities		(22,055)	(25,245)	75,958
Cash flows from investing activities				
Payments for property, plant and equipment		(5,074)	(1,637)	(653)
Proceeds from sale of property, plant and equipment		–	250	–
Net cash (outflow) from investing activities		(5,074)	(1,387)	(653)
Cash flows from financing activities				
Issue of shares		–	–	2,214
Issue of warrants		–	4,750	–
Proceeds from borrowings		27,039	61,922	–
Repayment of borrowings		–	(26,691)	(25,948)
Dividends paid	23	–	–	(8,498)
Net cash inflow/(outflow) from financing activities		27,039	39,981	(32,232)
Net increase in cash and cash equivalents		(90)	13,349	43,073
Cash and cash equivalents at the beginning of the financial year		887	797	14,146
Cash and cash equivalents at end of year	8	797	14,146	57,219

II NOTES TO THE FINANCIAL INFORMATION OF THE TARGET GROUP

1 GENERAL INFORMATION

Swisse Wellness Group Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. The Target Group is principally engaged in the distribution of vitamins and other health, body and skin products.

Its registered office is:
Swisse Wellness Group Pty Ltd
Level 18
530 Collins Street
Melbourne VIC 3000

Its principal place of business is:
Swisse Wellness Group Pty Ltd
36-38 Gipps Street
Collingwood VIC 3066

Summary of significant accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of the financial information.

Basis of preparation

These financial statements have been prepared in accordance with "IFRSs", which include "IASs" and Interpretations promulgated by the "IASB".

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

This financial information has been produced for inclusion in a circular of the Company to its shareholders for the acquisition of the Target Group, using the principal accounting policies which are materially consistent with those of the Company as applied in the Company's consolidated interim financial statements for the period ended 30 June 2015. The financial information is prepared solely for the purpose of the Company with adjustments made to reflect the applicable accounting policies of the Company and to ensure the three years are presented on a consistent basis. Where changes in accounting policies have resulted in a change in the reported result and position of the Target Group, a consequential adjustment has been made to the associated deferred tax position (where applicable). The consolidated financial information should not be construed as indicative of the financial performance of the Target Group in any future period.

Basis of consolidation

The consolidated financial information include the financial information of the Target Company and its subsidiaries for the years ended 30 June 2013, 2014 and 2015. The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target 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 Target 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 Target Group are eliminated in full on consolidation.

The Target 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 in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

Restructure of the Swisse group

On 30 July 2013 the Swisse group of entities underwent a corporate restructure wherein the Target Company acquired Swisse Wellness Pty Ltd and its controlled entities. The restructure has been treated as a business combination involving entities under common control.

The financial information incorporates the acquired group's results and balance sheet as if both groups had always been combined. Consequently, the financial information reflect both groups' full year results for the 2014 financial year, even though the business combination occurred part way through the 2014 financial year. In addition, the corresponding amounts for the 2013 financial year reflect the combined results of both groups, even though the transaction did not occur until 30 July 2013.

New and amended standards adopted by the Target Group

The Target Group has adopted the following revised standards and a new interpretation for the first time for the current year's financial information:

Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised)	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets And Financial Liabilities*
Amendments to IFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendments to IFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective IFRSs*
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*

The adoption of the revised standards and a new interpretation has had no significant effect on the financial information of the Target Group.

New standards and interpretations not yet adopted

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

IFRS 9	*Financial Instruments*	Effective for annual periods beginning on or after 1 January 2018
Amendments to IFRS 10 and IAS 28 (Revised)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Effective for annual periods beginning on or after 1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 (Revised)	*Investment Entities: Applying the Consolidation Exception*	Effective for annual periods beginning on or after 1 January 2016
IFRS 15	*Revenue from Contracts with Customers*	Effective for annual periods beginning on or after 1 January 2017
Amendments to IAS 1	*Disclosure Initiative*	Effective for annual periods beginning on or after 1 January 2016
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*	Effective for annual periods beginning on or after 1 January 2016
Amendments to IAS 27 (Revised)	Equity Method in Separate Financial Statements	Effective for annual periods beginning on or after 1 January 2016
Annual Improvements 2012-2014 Cycle	*Amendments to a number of IFRSs*	Effective for annual periods beginning on or after 1 January 2016

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

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Target Group expects to adopt IFRS 9 from 1 January 2018. The Target Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Target Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to IFRS 10 and IAS 28 (Revised) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (Revised) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Target Group expects to adopt the amendments from 1 January 2016.

IFRS 15 establishes a new five-step model that will apply to 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. The Target Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Target Group upon adoption on 1 January 2016 as the Target Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The Annual Improvements to IFRSs 2012-2014 Cycle sets out amendments to a number of IFRSs. The Target Group expects to adopt the amendments from 1 January 2016. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Target Group.

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Target Company. Control is achieved when the Target 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 Target Group the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target 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 Target Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Target Company's statement of profit or loss to the extent of dividends received and receivable. The Target Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are stated at cost less any impairment losses.

Investment in associate

An associate is an entity in which the Target 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 Target Group's investment in an associate is stated in the consolidated statement of financial position at the Target Group's share of net assets under the equity method of accounting, less any impairment losses. The Target Group's share of the post-acquisition results and profit or loss and other comprehensive income of associate are included in the consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Target 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 Target Group and its associate are eliminated to the extent of the Target 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 Target Group's investment in an associate.

The results of an associate are included in the Target Company's statement of profit or loss to the extent of dividends received and receivable. The Target Company's investment in an associate is treated as non-current assets and is stated at cost less any impairment losses.

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 Target Group, liabilities assumed by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. For each business combination, the Target 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 Target 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 re-measured at its acquisition date fair value and any resulting gain or loss is recognised in the statement of 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 that is a financial instrument and within the scope of IAS 39 is measured at fair value with changes in fair value either recognised in the statement of profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Target 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 the statement of 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 Target Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Target Group are assigned to those units or groups of units.

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

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

Impairment of non-financial assets

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

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

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

Related parties

A party is considered to be related to the Target 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 Target Group;

(ii) has significant influence over the Target Group; or

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

or

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

(i) the entity and the Target Group are members of the same Target 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 Target 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 Target Group or an entity related to the Target Group;

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

(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).

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of 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 Target 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:

– Motor vehicles	18.75 – 24.75%
– Leasehold improvements	7.50 – 37.50%
– Office furniture and equipment	7.50 – 50.00%
– Computer equipment	37.50 – 50.00%
– Plant and equipment	10.00 – 25.00%

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of 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 leasehold improvements 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.

Intangible assets (other than goodwill)

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

Computer software

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

Licence

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

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 Target 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.

Trademarks

The Swisse trademarks are assessed for impairment on a regular basis and at least annually at the end of the reporting period. The carrying amounts are supported by the projected future cash flows expected to be generated by the use of the trademarks.

Website development costs

Costs incurred in developing a website that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to website development costs. Costs capitalised include external direct costs of materials and services. Amortisation is calculated on a straight line bases over a period of 5 years.

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, or as held-to-maturity investment, 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 Target 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 the statement of 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 the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Loans and receivables

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

De-recognition 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 Target Group's consolidated statement of financial position) when:

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

- the Target 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 Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target 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 Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement in the asset. In that case, the Target 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 Target Group has retained.

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

Impairment of financial assets

The Target 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 Target Group first assesses whether of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target 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 the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Group. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of 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 the statement of 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 re-measured 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.

De-recognition 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 de-recognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Inventories

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

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 Target Group's cash management.

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

Provisions

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside the statement of profit or loss is recognised outside the statement of 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 Target Group operates.

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

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

- 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, 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 carry-forward 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 carry-forward 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, 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.

Tax consolidation legislation

Swisse Wellness Group Pty Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Swisse Wellness Group Pty Ltd, 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, Swisse Wellness Group Pty Ltd 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.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Swisse Wellness Group Pty Ltd for any current tax payable assumed and are compensated by Swisse Wellness Group Pty Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Swisse Wellness Group Pty Ltd 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 agreement 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.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Target Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

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 Target Group and when the revenue can be measured reliably, on the following bases:

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

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

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

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. 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 Target 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.

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

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

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

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 Target Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

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

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Foreign currencies

The functional and presentation currency of the Target Company is the Australian Dollar ("**AUD**"). Each entity in the Target 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 Target Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the statement of profit or loss.

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

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

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

Derivatives and hedging activities

Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the end of the reporting period on national government bonds in 2013 and 2014 and corporate bonds in 2015 with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

Profit sharing and bonus plans

The Target Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Target Company's shareholders after certain adjustments. The Target Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Compound financial instruments

Compound financial instruments issued by the Target Group comprise warrants attached to the syndicated loan facility that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of the syndicated loan facility is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the syndicated loan facility as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of the syndicated loan facility instrument is measured at amortised cost using the effective interest method.

The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the Target Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

2 FINANCIAL RISK MANAGEMENT

This note explains the Target Group's exposure to financial risks and how these risks could affect the Target Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

Risk	Exposure arising from	Measurement	Management
Market risk – foreign exchange	Future commercial transactions Recognised financial assets and liabilities not denominated in AUD	Cash flow forecasting Sensitivity analysis	Working capital management in same currency, pricing negotiation with overseas suppliers in AUD, forward exchange contracts
Market risk – Interest rate	Long term borrowings at variable rates	Sensitivity analysis	Monitoring cash flows closely to determine timing and maximise quantum of debt repayments, therefore reducing interest rate risk exposure
Credit risk	cash and cash equivalents, trade receivables	Ageing analysis Credit ratings	Credit limits, retention of title over goods sold, letters of credit
Liquidity risk	Trade payables, borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

The Target Group's risk management is carried out by the executive management team under policies approved by the board of directors. The executive management team identifies and evaluates financial risks. The board provides the principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, credit risk, use of non-derivative financial instruments and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The foreign denominated expenses are expected to be repaid with receipts from foreign denominated sales. The foreign currency exposure of these transactions has therefore not been hedged.

Exposure

The Target Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian Dollars is as follow:

	30 June 2013 *USD* *$'000*	**30 June 2014** *USD* *$'000*	**30 June 2014** *NZD* *$'000*	**30 June 2015** *USD* *$'000*	**30 June 2015** *NZD* *$'000*	**30 June 2015** *GPB* *$'000*
Trade receivables	–	839	578	–	3,558	–
Receivables from related parties	15	–	–	–	–	–
Other receivables	–	17	5	4,503	43	–
Trade payables	(856)	(1,206)	(144)	(765)	(597)	(31)
Other payables	(957)	(1,746)	(25)	(225)	(94)	–

The Target Group was not exposed to NZD or GBP In 2013 or the GPB in 2014.

During each year, the following foreign-exchange related amounts were recognised in profit or loss and other comprehensive income:

	2013 *AUD* *$'000*	**2014** *AUD* *$'000*	**2015** *AUD* *$'000*
Amounts recognised in profit or loss			
Net foreign exchange gain/(loss)	(9)	62	220
Net gains/(losses) recognised in other comprehensive income			
Translation of foreign operations and net investment hedges	554	(1,179)	(846)

Sensitivity

As shown in the table above, the Target Group is primarily exposed to changes in USD/AUD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from US dollar denominated financial instruments.

	2013	**2014**	**2015**
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
USD/AUD exchange rate – increase 10%	163	190	(319)
USD/AUD exchange rate – decrease 10%	(199)	(233)	390
NZD/AUD exchange rate – increase 10%	–	38	(265)
NZD/AUD exchange rate – decrease 10%	–	46	323

Profit is more sensitive to movements in the AUD/USD exchange rates in 2013 and 2014 than 2015 because of the amount of transactions attributable to the USA operations. The Target Group's exposure to foreign exchange movements in 2015 is not material.

(ii) Cash flow and fair value interest rate risk

The Target Group's main interest rate risk arises from long term borrowings with variable rates, which expose the Target Group to cash flow interest rate risk. The Target Group's borrowings at variable rate were mainly denominated in AUD.

Sensitivity

Profit or loss is sensitive to higher/lower interest income and expenses from cash and cash equivalents and borrowings as a result of changes to interest rates.

	2013	**2014**	**2015**
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
Interest rates – strengthen by 100 bps	(221)	(651)	(573)
Interest rates – weaken by 100 bps	221	651	573

(b) Credit risk

Credit risk arises from cash and cash equivalents and credit exposures to customers, including outstanding receivables.

(i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the Target Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The compliance with credit limits is regularly monitored by management.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

(ii) *Security*

For customers without credit rating, the Target Group generally retains title over the goods until full payment is received, thus limiting the loss from a possible default to the profit margin made on sale. For some trade receivables the Target Group may also obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

(iii) *Guarantees*

Credit risk also arises in relation to financial guarantees given to certain parties. Such guarantees are only provided in exceptional circumstances and are subject to specific board approval.

(iv) *Credit quality*

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external ratings (if available) or to historical information about counterparty default rates.

	2013	**2014**	**2015**
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
Trade receivables			
Counterparties with external credit rating			
A–	17,227	9,656	15,086
	17,227	9,656	15,086
*Counterparties without external credit rating **			
Group 1	26	299	1,768
Group 2	28,883	20,677	88,262
Group 3	–	–	–
	28,909	20,976	90,030
Total trade receivables	46,136	30,632	105,116
Other receivables			
Related parties and key management personnel **	3,899	6,960	5,572
Receivables from once-off transactions with third parties ***	311	238	195
Counterparty with an external credit rating of AA–	–	–	4,503
	4,210	7,198	10,270
Cash at bank			
AA–	303	101	20,172
A+	493	14,044	–
A	–	–	37,046
Unrated (petty cash)	1	1	1
	797	14,146	57,219

* Group 1 – new customers (less than 6 months)
Group 2 – existing customers (more than 6 months) with no defaults in the past
Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

** None of the amounts receivable from related parties are past due or impaired and repayments have been received regularly and on time historically.

*** The Target Group has procedures in place to assess whether to enter into once-off transactions with third parties, including mandatory credit checks.

(v) Impaired trade receivables

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. The Target Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or delinquency in payments.

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

Individually impaired trade receivables relate to customers that are experiencing unexpected economic difficulties.

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

	2013	**2014**	**2015**
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
At 1 July	–	–	(4,832)
Provision for impairment recognised in the year	–	(4,832)	(300)
Receivables written off during the year as uncollectible	–	–	–
Unused amount reversed	–	–	–
At 30 June	–	(4,832)	(5,132)

Amounts recognised in profit or loss

During the year, the following gains were recognised in profit or loss in relation to impaired receivables:

	2013	**2014**	**2015**
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
Impairment losses			
– individually impaired receivables	6	11	–
– movement in provision for impairment	–	4,832	300

(vi) *Past due not impaired*

As at 30 June, the following trade receivables were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2013	**2014**	**2015**
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
Up to 3 months	5,152	311	7,950
3 to 6 months	786	27	110
	5,938	338	8,060

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Target Group does not hold any collateral in relation to these receivables, other than a retention of title over goods sold to customers until cash is received.

(b) Liquidity risk

(i) Financing arrangements

The Target Group had access to the following undrawn borrowing facilities at the end of the reporting period:

	2013	2014	2015
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
Floating rate			
– expiring within 1 year	19,811	–	–
– expiring beyond 1 year	–	2,025	24,649
	19,811	2,025	24,649

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to meeting financial covenants, the syndicated loan facilities may be drawn at any time in AUD and have a maturity date of 31 July 2016.

(ii) Maturities of financial liabilities

The tables below analyse the Target Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	AUD $'000	*AUD $'000*	*AUD $'000*	*AUD $'000*	*AUD $'000*	*AUD $'000*	*AUD $'000*
At June 2013							
Non-derivatives							
Trade payables	47,130	–	–	–	–	47,130	47,130
Borrowings(excluding finance leases)	17,512	10,300	–	–	–	27,812	27,189
Finance lease liabilities	922	922	1,844	604	–	4,293	2,907
Total non-derivatives	65,564	11,222	1,844	604	–	79,235	77,226
At June 2014							
Non-derivatives							
Trade payables	27,658	–	–	–	–	27,658	27,658
Borrowings (excluding finance leases)	2,294	2,329	4,442	72,536	–	81,602	66,009
Finance lease liabilities	922	922	562	42	–	2,448	2,103
Total non-derivatives	30,874	3,251	5,004	72,578	–	111,708	95,770
At June 2015							
Non-derivatives							
Trade payables	62,245	–	–	–	–	62,245	62,245
Borrowings (excluding finance leases)	1,427	1,449	46,969	–	–	49,845	43,694
Finance lease liabilities	549	12	32	10	–	603	592
Total non-derivatives	64,221	1,461	47,001	10	–	112,693	106,531

Of the AUD47,002,000 disclosed in the 2015 borrowings time band "**between 2 and 5 years**", the Target Group is considering early repayment of AUD45,900,000 in the first quarter of the 2016 financial year.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target 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 Target 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:

Tax provisions

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Target 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.

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.

Provision for obsolete inventories

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

Provision for discounts and rebates

Management estimates the expected discounts and rebates earned but not claimed by customers of the Target Group at each reporting date, and makes provision for discounts and rebates identified that are likely to be claimed in subsequent periods. Management estimates the provision for discounts and rebates based primarily on historical trends, discounts and promotions run by customers during the year and discounts and rebate claims settled subsequent to reporting date.

Impairment of loans and receivables

The Target 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 Target Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

4 REVENUE

For the year ended 30 June

	2013 *AUD* *$'000*	2014 *AUD* *$'000*	2015 *AUD* *$'000*
From continuing operations			
Sales revenue			
Sale of goods	225,099	183,978	391,375
Less: trade discounts and rebates	(75,438)	(58,654)	(78,963)
	149,661	125,324	312,412
Other revenue			
Interest	69	227	653
	149,730	125,551	313,065

5 OTHER INCOME

For the year ended 30 June

	2013 *AUD* *$'000*	2014 *AUD* *$'000*	2015 *AUD* *$'000*
Foreign exchange gains (net)	9	–	–
Other income	–	5,479	175
	9	5,479	175

6 EXPENSES

For the year ended 30 June

	2013 *AUD* *$'000*	2014 *AUD* *$'000*	2015 *AUD* *$'000*
Profit/(loss) before income tax includes the following specific expenses:			
Depreciation			
Plant and equipment	1,429	1,618	1,843
Office furniture and equipment	74	357	264
Motor vehicles	18	16	16
Leasehold improvements	178	191	528
Computer equipment	274	534	40
Website development amortisation	325	364	376
Total depreciation and amortisation	2,298	3,080	3,067
Finance costs			
Interest and finance charges paid/payable	2,745	6,410	5,570
Unwinding of discount on syndicated facility *(note 19(a))*	–	1,270	2,123
	2,745	7,680	7,693

7 INCOME TAX EXPENSE

For the year ended 30 June

(a) Income tax expense

	2013 *AUD* *$'000*	2014 *AUD* *$'000*	2015 *AUD* *$'000*
Current tax			
Current tax	(289)	(2,075)	30,862
Current tax expense/(revenue) relating to under (over) provision in prior year	–	(35)	1,062
	(289)	(2,110)	31,924
Deferred tax			
Deferred tax expense/(revenue) relating to the origination and reversal of temporary differences	(2,497)	523	(3,141)
Deferred tax expense/(revenue) relating to under (over) provision in prior year	–	–	–
	(2,497)	523	(3,141)
Total tax expense/(revenue)	(2,786)	(1,587)	28,783

(b) Numerical reconciliation of income tax expense to prima facie tax

	2013 *AUD* *$'000*	2014 *AUD* *$'000*	2015 *AUD* *$'000*
Profit from continuing operations before income tax expense	(8,544)	(7,201)	102,531
Tax at the Australian tax rate of 30.0% (2014 – 30.0%)	(2,563)	(2,160)	30,759
Tax Effect of Earnings from Non Assessable Income	–	(94)	–
Tax Effect of Non Deductible Expenses	318	327	1,066
Tax Effect of Dividends from non wholly owned entities	–	120	(180)
Tax Effect of Disposal of Subsidiary	–	(61)	–
Tax Effect of Utilisation of Prior Year Losses not recognised as Deferred Tax Asset	–	–	(3,723)
Tax Effect of R&D deductions	(370)	(379)	(373)
Tax Effect of Cost Base adjustments on entry to Tax Consolidation	–	857	–
Under (over) provision in prior year	–	(35)	1,061
Sundry items	(74)	(42)	173
Franking credits transferred to tax losses	–	(120)	–
Non-taxable share of profit from associates	(97)	–	–
	(2,786)	(1,587)	28,783

Income tax rate

The tax rate used in the above reconciliation is the tax rate payable on taxable profits under the applicable tax law of the country the Target Group operates in. The Target Group did not have any income subject to Hong Kong profits tax.

8 CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	2013 *AUD* *$'000*	2014 *AUD* *$'000*	2015 *AUD* *$'000*
Cash at bank and in hand	797	14,146	57,219

(a) Reconciliation to cash at the end of the year

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	2013 *AUD* *$'000*	2014 *AUD* *$'000*	2015 *AUD* *$'000*
Balances as above	797	14,146	57,219
Balances per consolidated statement of cash flows	797	14,146	57,219

9 CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	2013 *AUD* *$'000*	2014 *AUD* *$'000*	2015 *AUD* *$'000*
Trade receivables	46,146	33,843	110,248
Provision for impairment of receivables	(10)	(4,832)	(5,132)
	46,136	29,011	105,116
Receivables from related parties	466	–	5,275
Other receivables	311	238	4,698
Prepayments	3,383	1,383	1,375
	50,296	30,632	116,464

Trade receivables are unsecured and non-interest bearing. An aged analysis of trade receivables as at the end of the reporting period, based on the due date of the invoice and net of provisions, is as follows:

	2013 *AUD* *$'000*	2014 *AUD* *$'000*	2015 *AUD* *$'000*
Current	39,947	33,505	97,056
Within 1 month	5,403	142	4,870
1 to 3 months	–	169	3,080
Over 3 months	786	27	110
	46,136	33,843	105,116

(i) Fair value of trade and other receivables

Due to the short term nature of the current receivables, their carrying amount is assumed to be the same as the fair value. The fair values are calculated based on the cash flows discounted using a current lending rate. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

Receivables from related parties bear interest at market related rates, are repayable on demand and are expected to be settled by offsetting amounts due against dividends declared to these shareholders in future periods.

(ii) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Target Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 3.

10 CURRENT ASSETS – INVENTORIES

	2013 *AUD $'000*	**2014** *AUD $'000*	**2015** *AUD $'000*
Raw materials and stores	–	179	4,210
Finished goods	18,949	15,621	14,661
Provisions for stock obsolescence	(2,074)	(2,015)	(568)
	16,875	13,785	18,303

11 NON-CURRENT ASSETS – RECEIVABLES

	2013 *AUD $'000*	**2014** *AUD $'000*	**2015** *AUD $'000*
Receivables from related parties	3,433	6,960	297

(a) Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due but not impaired.

(b) Fair values

The fair values and carrying values of non-current receivables are as follows:

	2013 *AUD $'000*		**2014** *AUD $'000*		**2015** *AUD $'000*	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Receivables from related parties	3,433	3,433	6,960	6,960	297	297

12 NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment	Office furniture and equipment	Motor vehicles	Leasehold improvements	Computer equipment	Capital works in progress	Total
	AUD $'000	*AUD $'000*	*AUD $'000*	*AUD $'000*	*AUD $'000*	*AUD $'000*	*AUD $'000*
At 30 June 2013							
Cost	5,727	545	148	1,911	1,449	–	9,781
Accumulated depreciation	(1,961)	(265)	(98)	(413)	(501)	–	(3,239)
Net book amount	3,766	280	50	1,498	948	–	6,542
At 30 June 2014							
Cost	7,479	551	148	1,989	1,103	20	11,291
Accumulated depreciation	(4,254)	(331)	(114)	(604)	(703)	–	(6,006)
Net book amount	3,225	220	34	1,385	400	20	5,285
At 30 June 2015							
Cost	7,739	570	148	2,089	1,191	45	11,783
Accumulated depreciation	(6,095)	(388)	(130)	(1,150)	(875)	–	(8,638)
Net book amount	1,644	182	18	939	316	45	3,145

13 CURRENT LIABILITIES – CURRENT TAX PAYABLE

	2013	2014	2015
	AUD $'000	*AUD $'000*	*AUD $'000*
Current tax liabilities	–	–	24,214

14 NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	2013	2014	2015
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
The balance comprises temporary differences attributable			
Tax losses and offsets	1,516	3,691	12
Employee benefits	273	212	309
Accruals and payables	395	810	4,653
Stock on hand	701	381	–
Borrowing costs	71	387	156
Provision for doubtful debts	3	–	90
Provision for fringe benefits tax	30	–	–
Black hole expenses	35	24	12
Total deferred tax assets	3,024	5,505	5,232
Set-off of deferred tax liabilities pursuant to set-off provisions *(note 20)*	(12)	(860)	(1,816)
Net deferred tax assets	3,012	4,645	3,416
Deferred tax assets expected to be recovered within 12 months	–	–	–
Deferred tax assets expected to be recovered after more than 12 months	3,024	5,505	5,232
	3,024	5,505	5,232

Movements	Tax losses and offsets AUD $'000	Employee benefits AUD $'000	Plant and equipment AUD $'000	Accruals and payables AUD $'000	Stock on hand AUD $'000	Borrowing costs AUD $'000	Provision for doubtful debts AUD $'000	Provision for fringe benefits tax AUD $'000	Black hole expenses AUD $'000	Total AUD $'000
At 1 July 2012	–	176	21	122	169	14	–	33	43	578
(Charged)/credited to profit or loss	1,516	97	(21)	273	532	57	3	(3)	(8)	2,446
At 30 June 2013	1,516	273	–	395	701	71	3	30	35	3,024

Movements	Tax losses and offsets AUD $'000	Employee benefits AUD $'000	Plant and equipment AUD $'000	Accruals and payables AUD $'000	Stock on hand AUD $'000	Borrowing costs AUD $'000	Provision for doubtful debts AUD $'000	Provision for fringe benefits tax AUD $'000	Black hole expenses AUD $'000	Total AUD $'000
At 1 July 2013	1,516	273	–	395	701	71	3	30	35	3,024
(Charged)/credited to profit or loss	2,117	(61)	–	(170)	101	324	(3)	(35)	(9)	2,263
Under/overprovision in prior year	58	–	–	586	(421)	(8)	–	–	(2)	212
Reallocation from DTA to DTL	–	–	–	–	–	–	–	5	–	5
At 30 June 2014	3,691	212	–	810	381	387	–	–	24	5,505

Movements	Tax losses and offsets AUD $'000	Employee benefits AUD $'000	Plant and equipment AUD $'000	Accruals and payables AUD $'000	Stock on hand AUD $'000	Borrowing costs AUD $'000	Provision for doubtful debts AUD $'000	Provision for fringe benefits tax AUD $'000	Black hole expenses AUD $'000	Total AUD $'000
At 1 July 2014	3,691	212	–	810	381	387	–	–	24	5,505
(Charged)/credited to profit or loss	(3,765)	68	–	3,883	(381)	(138)	90	–	(12)	(255)
Under/overprovision in prior year	86	29	–	(40)	–	(93)	–	–	–	(18)
At 30 June 2015	12	309	–	4,653	–	156	90	–	12	5,232

15 NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Trademarks *AUD $'000*	Website development costs *AUD $'000*	Other *AUD $'000*	Total *AUD $'000*
At 30 June 2013				
Cost	419	1,984	–	2,403
Accumulation amortisation	–	(325)	–	(325)
Net book amount	419	1,659	–	2,078
At 30 June 2014				
Cost	581	1,734	12	2,328
Accumulation amortisation	–	(687)	(5)	(692)
Net book amount	581	1,047	7	1,636
At 30 June 2015				
Cost	676	1,734	–	2,410
Accumulated amortisation	–	(1,049)	–	(1,049)
Net book amount	676	685	–	1,361

16 CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2013 *AUD $'000*	2014 *AUD $'000*	2015 *AUD $'000*
Trade payables	47,130	27,658	62,245
Payable to related parties	1,875	–	–
Accrued expenses	4,745	5,226	21,804
Accrual for US closure costs	–	11,663	6,732
Provision for discounts and sales returns	12,051	10,219	19,296
	65,801	54,766	110,077

The aged analysis of the Target Group's trade payables as at the end of the reporting period, based on the invoice due date is as follows:

Current	33,831	18,614	41,504
Within 1 month	12,444	4,015	10,220
1 to 3 months	855	3,844	9,578
Over 3 months	–	1,185	943
	47,130	27,658	62,245

17 CURRENT LIABILITIES – BORROWINGS

	2013	2014	2015
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
Secured			
Lease liabilities *(note 26)*	1,261	1,759	553
Other loans	27,189	–	–
Total secured current borrowings	28,450	1,759	553

Other loans comprise corporate debtor finance and a multiple advance facility with limits of AUD22,000,000 and AUD20,000,000 respectively. These facilities had a maturity date of 31 January 2014.

18 CURRENT LIABILITIES – PROVISIONS

	2013	2014	2015
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
Employee benefits (a)	822	634	781

Amounts not expected to be settled within 12 months

The current provision for employee benefits includes accrued annual leave, vesting sick leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the Target Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Target Group expects all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	2013	2014	2015
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
Current leave obligations expected to be settled after 12 months	–	–	–

19 NON-CURRENT LIABILITIES – BORROWINGS

	2013	2014	2015
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
Secured			
Syndicated facility (a)	–	66,009	43,694
Lease liabilities *(note 26)*	1,646	344	40
Total secured non-current borrowings	1,646	66,353	43,734

All banking facilities are held by Swisse Wellness Group Pty Ltd which in turn provides working capital to group entities by way of at call loans. All wholly owned Australian subsidiaries are guarantors to the AUD70,000,000 3 year term loan facilities provided to the Swisse Wellness Group Pty Ltd.

(a) The fair value of the liability portion of the syndicated facility was determined using a market interest rate for an equivalent facility without an issue of warrants. The amount is recorded as a liability on an amortised cost basis until extinguished on maturity. The remainder of the proceeds is allocated to the warrants. This is recognised and included in shareholders' equity (note 24(a)).

Swisse Wellness Pty Ltd provided a guarantee and indemnity limited to 2013: AUD9,800,000, 2014: AUD8,450,000 and 2015: AUD8,450,000 in favour of the HSBC Bank Australia Limited in relation to a loan provided to an entity controlled by a member of key management personnel. As one of the guarantors, Swisse Wellness Pty Ltd accepts responsibility to pay the debt owing to HSBC Bank Australia Limited.

(i) Fair value

For the majority of the borrowings, the fair values are not materially different to their carrying amounts since the interest payable on these borrowings is either close to current market rates or the borrowings are of a short term nature. The fair value of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

20 NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to	**2013** *AUD $'000*	**2014** *AUD $'000*	**2015** *AUD $'000*
Intangible assets	10	29	29
Plant and equipment	2	825	789
Prepayments	–	–	3
Provision for fringe benefits tax	–	5	(12)
Accrued income	–	–	600
Other	–	–	407
Total deferred tax liabilities	12	860	1,816
Set-off of deferred tax assets pursuant to set-off provisions *(note 14)*	(12)	(860)	(1,816)
Net deferred tax liabilities	–	–	–
Deferred tax liabilities expected to be recovered within 12 months	–	–	–
Deferred tax liabilities expected to be recovered after more than 12 months	12	860	1,816
	12	860	1,816

Movements	Intangible assets	Plant and equipment	Prepayments	Interest payable	Provision for fringe benefits tax	Accrued income	Other	Total
	AUD	*AUD*	*AUD*	*AUD*	*AUD*	*AUD*	*AUD*	*AUD*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 July 2012	17	–	–	44	–	–	–	61
Charged/(credited) to profit or loss	(7)	2	–	(44)	–	–	–	(49)
At 30 June 2013	10	2	–	–	–	–	–	12

Movements	Intangible assets	Plant and equipment	Prepayments	Interest payable	Provision for fringe benefits tax	Accrued income	Other	Total
	AUD	*AUD*	*AUD*	*AUD*	*AUD*	*AUD*	*AUD*	*AUD*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 July 2013	10	2	–	–	–	–	–	12
Charged/(credited) to profit or loss	3	(22)	–	–	–	–	–	(217)
Under/overprovision in prior year	16	(12)	–	–	–	–	–	203
(Credit)/charge due to step down of tax cost setting amount due to becoming member of tax consolidated group	–	857	–	–	–	–	–	857
Reallocation from DTA to DTL	–	–	–	–	5	–	–	5
At 30 June 2014	29	825	–	–	5	–	–	860

Movements	Intangible assets	Plant and equipment	Prepayments	Interest payable	Provision for fringe benefits tax	Accrued income	Other	Total
	AUD	*AUD*	*AUD*	*AUD*	*AUD*	*AUD*	*AUD*	*AUD*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 July 2014	29	825	–	–	5	–	–	860
Charged/(credited) to profit or loss	–	(215)	3	–	(17)	600	–	369
Under/overprovision in prior year	–	179	–	–	–	–	407	586
At 30 June 2015	29	789	3	–	(12)	600	407	1,816

21 NON-CURRENT LIABILITIES – PROVISIONS

	2013	2014	2015
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
Employee benefits – long service leave	90	171	251

22 CONTRIBUTED EQUITY

(a) *Share capital*

	2013 Shares	2014 Shares	2015 Shares	2013 *AUD $'000*	2014 *AUD $'000*	2015 *AUD $'000*
Ordinary share capital – fully paid	100	9,600,000	10,410,969	1	1	2,215
Convertible share capital	–	–	675,687	–	–	297
	100	9,600,000	11,086,656	1	1	2,512

(b) *Movements in ordinary share capital*

Details	Number of shares	*AUD $'000*
Opening balance 1 July 2012	100	1
Shares issued	–	–
Balance 30 June 2013	100	1
Shares issued	9,599,900	–
Balance 30 June 2014	9,600,000	1
Shares issued	810,969	2,214
Balance 30 June 2015	10,410,969	2,215

(c) *Movements in convertible share capital*

Details	Number of shares	*AUD $'000*
Opening balance 1 July 2012	–	–
Shares issued	–	–
Balance 30 June 2013	–	–
Shares issued	–	–
Balance 30 June 2014	–	–
Shares issued	675,687	297
Balance 30 June 2015	675,687	297

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Target Group in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Target Group does not have a limited amount of authorised capital.

(b) *Convertible share capital*

The Board approved a management incentive plan to enable eligible employees to acquire convertible shares in the Target Group. During 2015 the Target Group issued 675,687 convertible shares to eligible employees. Each convertible share could convert into an ordinary share on the sale of the business after 6 June 2016 if certain financial thresholds conditions were met, in which case it would rank equally with all other ordinary shares on conversion. The convertible shares do not confer on the holders any voting rights or dividends declared by the board of directors of the Target Group. If the sale of the business occurred prior to 6 June 2016 (including the satisfaction of certain conditions as part of the sale), the convertible shares would automatically be forfeited and/ or cancelled.

(c) *Risk management*

The Target Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with similar companies in the industry, the Target Group monitors capital on the basis of the following gearing ratio:

Net debt as divided by total 'equity' as shown in the balance sheet (including non-controlling interests)

	2013	**2014**	**2015**
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
Net debt	96,809	128,514	179,610
Total equity	(10,482)	(46,321)	20,595
Net debt to equity ratio	112%	156%	90%

(i) Loan covenants

For the year ended 30 June 2013, the Target Group was required to comply with the following financial covenants:

- interest cover ratio must not be less than 1.0 times
- leverage ratio must not exceed 2.75 times
- the borrowing base ratio was to be maintained at a minimum of 1.0 times
- no more than 60% of net profit after tax could be paid as dividends

These facilities were terminated on 30 July 2013.

Under the terms of the new syndicated facilities entered into on 30 July 2013, the Target Group is required to comply with the following financial covenants for the years ended 2014 and 2015:

- leverage ratio must not exceed 3.0 times (2014: 3.8 times)
- advertising and proportional adjusted leverage ratio must not exceed 1.0 times (2014: 1.4 times)
- interest cover ratio must not be less than 2.0 times (2014: 2.0 times)

23 DIVIDENDS

Ordinary shares

	2013	2014	2015
	AUD $'000	*AUD $'000*	*AUD $'000*
Fully franked based on tax paid @ 30%	100	–	8,498

The Target Group declared and paid dividends of AUD54 million to shareholders subsequent to 30 June 2015.

24 OTHER RESERVES/RETAINED PROFITS/(ACCUMULATED LOSSES)

(a) Other reserves

	2013	2014	2015
	AUD $'000	*AUD $'000*	*AUD $'000*
Foreign currency translation	554	(625)	(1,472)
Share capital reserve	–	4,750	4,750
	554	4,125	3,278

	Notes	2013 *AUD $'000*	2014 *AUD $'000*	2015 *AUD $'000*
Movements:				
Share capital reserve				
Opening balance		–	–	4,750
Issue of warrants	19(a)	–	4,750	–
Balance 30 June		–	4,750	4,750
Foreign currency translation				
Opening balance		–	554	(625)
Currency translation differences arising during the year		554	(1,179)	(847)
Balance 30 June		554	(625)	(1,472)

(i) Nature and purpose of other reserves

Share capital reserve

On 31 July 2013 the Target Group issued 400,000 warrants to MTGRP LLC, an investment holding company and a wholly owned subsidiary of Goldman Sachs Group Inc. as part of the refinancing of its banking facilities. The warrants are convertible to ordinary shares up to 5 years from the date after the first drawdown under the syndicated loan facility.

The fair value of the syndicated facility was determined using a market interest rate for an equivalent facility without an issue of warrants. The fair value was determined was used to record the liability with the remainder of the proceeds allocated to the share capital reserve.

Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(d) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(b) Retained profits/(accumulated losses)

Movements in retained profits/(accumulated losses) were as follows:

	2013	**2014**	**2015**
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
Balance 1 July	6,384	(11,037)	(50,989)
Net profit/(loss) for the year	(17,321)	(39,952)	72,351
Dividends	(100)	–	(7,829)
Balance 30 June	(11,037)	(50,989)	13,533

25 CONTINGENCIES

The Target Group had no contingent liabilities at 30 June 2013, 2014 and 2015.

26 COMMITMENTS

(a) Capital commitments

The Target Group had no capital commitments at 30 June 2013, 2014 and 2015.

(b) Lease commitments: Target Group as lessee

(i) Non-cancellable operating leases

	2013	**2014**	**2015**
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
Within one year	903	1,018	808
Later than one year but not later than five years	1,656	1,432	4,309
Later than five years	–	–	5,102
	2,559	2,450	10,219

(ii) Finance leases

	2013	**2014**	**2015**
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
Within one year	1,384	1,838	562
Later than one year but not later than five years	1,695	349	42
Later than five years	–	–	–
	3,079	2,187	604

27 INTERESTS IN OTHER ENTITIES

Significant investments in subsidiaries

The financial information incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Principal activity	Country of incorporation	Class of shares	Financial year end	Issued capital 2015 AUD $'000	Equity holding * 2013 %	2014 %	2015 %
SW International Pty Ltd	Intermediate holding company for the Target Group's international operations	Australia	Ordinary	30 June	**	100.00	100.00	100.00
SWG Holdco Pty Ltd	Intermediate holding company for the Target Group	Australia	Ordinary	30 June	**	100.00	100.00	100.00
Swisse Wellness Pty Ltd	Research, marketing and distribution of vitamins and health supplements in Australia	Australia	Ordinary	30 June	**	100.00	100.00	100.00
Swisse Wellness Pty Limited	Marketing and distribution of vitamins and health supplements in New Zealand	New Zealand	Ordinary	30 June		100.00	100.00	100.00
RSS 4P's Pty Ltd***	Director controlled entity established to pay salaries and director fees	Australia	Ordinary	30 June	**	–	–	–
Noisy Beast Pty Ltd	Advertising agency operating in Australia	Australia	Ordinary	30 June	5	40.00	47.33	47.33
Noisy Beast Limited	Advertising agency operating in UK	England and Wales	Ordinary	30 June	**	40.00	47.33	47.33
SW (US) Inc.	Intermediate holding company of the USA operations	USA	Ordinary	30 June	**	100.00	100.00	100.00
Swisse Wellness Inc.	Marketing and distribution of vitamins and health supplements in USA	USA	Ordinary	30 June	**	100.00	100.00	100.00
Swisse Wellness Limited	Marketing and distribution of vitamins and health supplements in England and Wales	England and Wales	Ordinary	30 June	**	100.00	100.00	100.00
Swisse Wellness GmbH	Marketing and distribution of vitamins and health supplements in Switzerland	Switzerland	Ordinary	30 June	**	100.00	100.00	100.00

* The proportion of ownership interest is equal to the proportion of voting power held.

** less than AUD1,000

*** Common shareholding and economically dependant

PwC Australia and/or its member firms are statutory auditors of all subsidiaries subject to a statutory audit.

(a) Non-controlling interests (NCI)

	2013	2014	2015
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
Interest in:			
Share capital of Noisy Beast Pty Ltd	–	542	1,272

28 RELATED PARTY TRANSACTIONS

Parent entities

The parent entity of the Target Group was CLED Pty Ltd, a company incorporated and domiciled in Australia.

Subsidiaries

Interests in subsidiaries are set out in note 27.

Key management personnel compensation

	2013	2014	2015
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
Short-term employee benefits	2,506	2,698	4,659
Long-term benefits	23	24	25
Share-based payments	–	–	202
	2,529	2,722	4,886

Five highest paid employees

The five highest paid employees during the year included 2013: two, 2014: three and 2015: three key management personnel whose remuneration is included in the note above. Details of the remuneration of the year of the remaining 2015: two, 2014: two, 2013: three highest paid employees who are neither a director nor a chief executive of the Target Group are as follows:

	2013	2014	2015
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
Short-term employee benefits	933	642	923
Long-term benefits	40	28	40
Termination benefits	–	–	46
Share-based payments	46	–	–
	1,019	670	1,009

	2013	2014	2015
HK$500,000 – HK$1,000,000 (AUD83,849 – AUD167,698)	–	–	–
HK$1,000,001 – HK$1,500,000 (AUD167,699 – AUD251,547)	2	2	3
HK$1,500,001 – HK$2,000,000 (AUD251,548 – AUD335,396)	–	–	–
	2	2	3

Transactions with key management personnel

The following amounts were recognised during the reporting period from other transactions with key management personnel:

	2013 *AUD* *$'000*	2014 *AUD* *$'000*	2015 *AUD* *$'000*
Loans to key management personnel			
Beginning of the year	92	1,596	5,176
Loans advanced	5,590	3,410	2,033
Loan repayments received	(4,000)	–	(2,683)
Interest charged	(114)	–	–
Interest received	28	170	703
End of year (30 June)	1,596	5,176	5,299

Transactions with other related parties

The following transactions occurred with related parties:

	2013 *AUD* *$'000*	2014 *AUD* *$'000*	2015 *AUD* *$'000*
Operating expenses			
Rental expense payable to entities controlled by key management personnel	427	374	324
Purchase of advertising services from related parties *	4,645	578	–

* Advertising services purchased from Noisy Beast Pty Ltd. From November 2013, Noisy Beast Pty Ltd has been consolidated into the Target Group and intercompany transactions eliminated.

Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

	2013	2014	2015
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
Current receivables			
Loan receivable from Noisy Beast Pty Ltd	80	–	–
Sundry debtors	386	–	–
Current payables			
Entities controlled by key management personnel	(114)	–	–
Other related parties	(1,761)	–	–

Loans to/from related parties

The following balances are outstanding at the end of the reporting period in relation to loans to and from related parties:

	2013	2014	2015
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
M Saba	656	1,061	1,032
S Ring	2	1,032	(597)
R Sali	4,570	3,082	1,162
The Good Vitamins Company	46	1,751	1,837
Byfield	–	16	–
Hikton	–	17	–
T O'Hoy	–	–	47
R Sali	–	–	71
M Da Gama Pinto	–	–	47
A Karafili	–	–	36
M Howard	–	–	24
C Crowley	–	–	24
G Livery	–	–	24
U Irgens	–	–	24

29 FINANCIAL INFORMATION OF THE TARGET COMPANY

	2013	2014	2015
	AUD	*AUD*	*AUD*
	$'000	*$'000*	*$'000*
Total assets	200	34,325	77,478
Total liabilities	–	(66,009)	(68,925)
Net assets	200	(31,684)	8,553
Representing:			
Share capital	200	200	2,511
Reserves	–	(31,884)	6,042
Total equity	200	(31,684)	8,553

30 DISCONTINUED OPERATION

During the 2014 financial year the Target Group made the decision to close its USA operations and initiated an active program to exit the USA market. The USA operations had ceased trading prior to 30 June 2014 and were reported in the 2013 financial statements of the Target Group as a discontinued operation.

Financial information relating to the discontinued operation for the year ended 30 June 2014 is set out below:

	2013 *AUD* *$'000*	2014 *AUD* *$'000*	2015 *AUD* *$'000*
Revenue	11,734	2,519	–
Expenses	(23,297)	(36,315)	–
(Loss) before income tax	(11,563)	(33,796)	–
Income tax expense	–	–	–
(Loss) after income tax of discontinued operation	(11,563)	(33,796)	–

Cash flows	2013 *AUD* *$'000*	2014 *AUD* *$'000*	2015 *AUD* *$'000*
Operating cash flows	(14,001)	(13,810)	3,262
Investing cash flows	(16)	17	–
Financing cash flows	14,497	13,942	(1,623)
Total cash flows	480	149	1,639

The carrying amounts of assets and liabilities as at 30 June 2014 were:

	2014 *AUD* *$'000*
Cash and cash equivalents	230
Trade and other receivables	856
Inventories	2,920
Total Assets	4,006
Trade and other payables	(20,597)
Total liabilities	(20,597)
Net liabilities	(16,591)

The 2014 financial statements included accruals for closure costs of AUD16,495,000 relating to expected costs to be incurred on stock returns, onerous contracts, handling/repacking costs, freight and other costs to be incurred in the closure of the USA operations.

31 SUBSEQUENT EVENTS

The Target Group and the Company announced on 17 September 2015 that they have entered into a agreement for the Company to acquire an approximately 83% interest in the Target Group for total consideration of AUD1.38 billion (the "**Acquisition**"). The Company has obtained written Shareholders' approval for the Acquisition pursuant to Rule 14.44 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited from Biostime Pharmaceuticals (China) Limited, the controlling shareholder of the Company. Completion date for the transaction was 30 September 2015.

In accordance with the terms of the Management Incentive Share Plan, the convertible shares (note 22(b)) were forfeited and/or cancelled immediately prior to completion of the Acquisition. The eligible employees were paid a cash bonus of approximately AUD95 million on completion of the Acquisition. The cash bonus is equivalent to the proceeds the eligible employees would have received had the convertible shares been converted to ordinary shares.

The Target Group declared and paid dividends of approximately AUD53.914 million to shareholders subsequent to 30 June 2015.

Subsequent to 30 June 2015, the Target Group repaid all of its principal and interest owing on the syndicated facility with MTGRP LLC, an investment holding company and a wholly owned subsidiary of Goldman Sachs Group Inc. (note 19). The syndicated facility was terminated on 25 September 2015 and all encumbrances under the facility agreement were released by the financier.

Subsequent to 30 June 2015, the Target Group was discharged from a guarantee and indemnity up to AUD8,450,000 provided in favour of the HSBC Bank Australia Limited in relation to a loan provided to an entity controlled by a member of key management personnel.

Subsequent to 30 June 2015, the security under the guarantee facility between Swisse Wellness Pty Limited and HSBC Bank Australia Limited under a letter of offer dated 30 July 2013 comprising of a AUD1,850,000 guarantee facility, an uncommitted and unadvised foreign exchange facility and a corporate platinum credit card with a AUD150,000 limit was discharged.

Other than the above, no matter or circumstance has occurred subsequent to 30 June 2015 that has significantly affected, or may significantly affect, the operations of the Target Group, the results of those operations or the state of affairs of the Target Group or economic entity in subsequent financial years.

32 OPERATING SEGMENT INFORMATION

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

(a) Vitamins and supplements; and
(b) Other (superfoods, active, skincare)

The Target Group is domiciled in Australia. The Target Group's revenue from external customers is predominately derived from Australia and New Zealand and its non-current assets are located in Australia. During the 2014 financial year the Target Group made the decision to close its USA operations and ceased trading prior to 30 June. Refer to note 30 for further information on the discontinued operation.

Management monitors the results of the Target Group's segments separately for the purposes of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on segment results which is measured as sales of goods (consistent with reportable sales of goods – note 4) less cost of sales except that trade discounts, interest income, other income, corporate and unallocated expenses, finance costs, tax expense are excluded from the results.

During the years ended 30 June 2013, 2014 and 2015, revenue from transactions with 2, 4 and 4 external customers respectively amounted to 10% or more of the Target Group's total revenue.

Operating segment information for the year ended 30 June 2013:

Segment revenue:	**Vitamins**	**Other**	**Unallocated**	**Group**
Sales to external customers	202,687	22,412	–	225,099
Segment result	139,144	15,782	–	154,926
Reconciliations:				
Trade discounts				(75,438)
Interest income				69
Other income and unallocated gains				9
Corporate and other unallocated expenses				(85,365)
Finance costs				(2,745)
Tax expense				2,786
Profit/(loss) from discontinued operations				(11,563)
Profit after tax				(17,321)
Other segment information:				
Depreciation and amortisation				(2,298)
Write-down/(back) of inventories to net realisable value				(2,021)
Capital expenditure				(5,074)

Operating segment information for the year ended 30 June 2014:

Segment revenue:	**Vitamins**	**Superfoods**	**Unallocated**	**Group**
Sales to external customers	159,463	25,515	–	183,978
Segment result	104,815	17,560	–	122,375
Reconciliations:				
Trade discounts				(58,654)
Interest income				227
Other income and unallocated gains				5,479
Corporate and other unallocated expenses				(68,948)
Finance costs				(7,680)
Tax expense				1,587
Profit/(loss) from discontinued operations				(33,796)
Profit/(loss) after tax				(39,410)
Other segment information:				
Depreciation and amortisation				(3,080)
Write-down/(back) of inventories to net realisable value				(2,251)
Capital expenditure				(1,637)

Operating segment information for the year ended 30 June 2015:

Segment revenue:	**Vitamins**	**Superfoods**	**Unallocated**	**Group**
Sales to external customers	347,357	44,018	–	391,375
Segment result	237,342	35,111	–	272,453
Reconciliations:				
Trade discounts				(78,963)
Interest income				653
Other income and unallocated gains				175
Corporate and other unallocated expenses				(84,092)
Finance costs				(7,693)
Tax expense				(28,783)
Profit/(loss) from discontinued operations				–
Profit after tax				73,750
Other segment information:				
Depreciation and amortisation				(3,067)
Write-down/(back) of inventories to net realisable value				(872)
Capital expenditure				(653)

III

No audited financial statements have been prepared by the Target Company or any of its subsidiaries in respect of any period subsequent to 30 June 2015 up to the date of this report. The Target Group declared and paid dividends of AUD53,914,000 to shareholders subsequent to 30 June 2015.

Yours faithfully,

PricewaterhouseCoopers
Chartered Accountants
Melbourne, Australia

Paul Lewis
Authorised Representative of
PricewaterhouseCoopers Securities Ltd.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(i) Basis of preparation of the unaudited pro forma financial information of the Enlarged Group

To provide additional financial information, the unaudited pro forma statement of assets and liabilities (the "**Unaudited Pro Forma Financial Information**") of the Enlarged Group (being the Company and its subsidiaries (the "**Group**") together with Swisse Wellness Group Pty Ltd and its subsidiaries (the "**Target Group**")) as at 30 June 2015 has been prepared based on:

(a) the historical unaudited consolidated statement of financial position of the Group as at 30 June 2015 which has been extracted from the interim report for the period ended 30 June 2015 of the Company;

(b) the consolidated statement of financial position of the Target Group as at 30 June 2015 which has been extracted from Appendix II to this circular; and

(c) after taking into account of the unaudited pro forma adjustments as described in the notes thereto to demonstrate how the acquisition might have affected the historical financial information in respect of the Group as if the acquisition had been completed on 30 June 2015.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information contained in this circular and the accountant's report on the Target Group as set out in Appendix II to this circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group is for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 30 June 2015 or at any future date.

(ii) Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	The Group as at 30 June 2015	The Target Group as at 30 June 2015		Sub-total	Unaudited Pro Forma Adjustments				Unaudited Pro Forma Enlarged Group as at 30 June 2015
	RMB'000	*AUD'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		Note 1	*Note 1*		*Note 2*	*Note 3*	*Note 4*	*Note 5*	
NON-CURRENT ASSETS									
Property, plant and equipment	518,773	3,145	14,779	533,552	–	–	–	–	533,552
Prepaid land lease payments	62,504	–	–	62,504	–	–	–	–	62,504
Goodwill	76,000	–	–	76,000	–	–	4,414,151	–	4,490,151
Intangible assets	101,164	1,361	6,396	107,560	–	2,575,525	–	–	2,683,085
Bonds receivable	120,066	–	–	120,066	–	–	–	–	120,066
Loans receivable	61,337	–	–	61,337	–	–	–	–	61,337
Prepayments and deposits	96,911	–	–	96,911	–	–	–	–	96,911
Investment in a subsidiary	–	–	–	–	5,918,312	–	(5,918,312)	–	–
Investment in an associate	40,110	–	–	40,110	–	–	–	–	40,110
Loan to an associate	40,000	–	–	40,000	–	–	–	–	40,000
Held-to-maturity investment	17,332	–	–	17,332	–	–	–	–	17,332
Time deposits	478,890	–	–	478,890	–	–	–	–	478,890
Deferred tax assets	157,143	3,416	16,053	173,196	–	–	–	–	173,196
Other receivables	–	297	1,396	1,396	–	–	–	–	1,396
Total non-current assets	1,770,230	8,219	38,624	1,808,854	5,918,312	2,575,525	(1,504,161)	–	8,798,530
CURRENT ASSETS									
Inventories	626,461	18,303	86,011	712,472	–	–	–	–	712,472
Trade and bills receivables	22,395	105,116	493,972	516,367	–	–	–	–	516,367
Prepayments, deposits and other receivables	177,969	11,348	53,329	231,298	–	–	–	–	231,298
Loans receivable	16,175	–	–	16,175	–	–	–	–	16,175
Derivative financial instrument	2,568	–	–	2,568	–	–	–	–	2,568
Cash and cash equivalents	3,998,204	57,219	268,889	4,267,093	(2,990,398)	–	–	(64,377)	1,212,318
Total current assets	4,843,772	191,986	902,201	5,745,973	(2,990,398)	–	–	(64,377)	1,212,318

	The Group as at 30 June 2015	The Target Group as at 30 June 2015		Sub-total	Unaudited Pro Forma Adjustments				Unaudited Pro Forma Enlarged Group as at 30 June 2015
	RMB'000	*AUD'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		Note 1	*Note 1*		*Note 2*	*Note 3*	*Note 4*	*Note 5*	
CURRENT LIABILITIES									
Trade and bills payables	193,375	62,245	292,508	485,883	–	–	–	–	485,883
Other payables and accruals	710,723	48,613	228,447	939,170	–	–	–	–	939,170
Derivative financial instrument	–	–	–	–	–	–	72,548	–	72,548
Interest-bearing bank loans and other borrowings	134,610	553	2,599	137,209	2,709,853	–	–	–	2,847,062
Tax payable	122,535	24,214	113,789	236,324	–	–	–	–	236,324
Total current liabilities	1,161,243	135,625	637,343	1,798,586	2,709,853	–	72,548	–	4,580,987
Net current assets	3,682,529	56,361	264,858	3,947,387	(5,700,251)	–	(72,548)	(64,377)	(1,889,789)
Total assets less current liabilities	5,452,759	64,580	303,482	5,756,241	218,061	2,575,525	(1,576,709)	(64,377)	6,908,741
NON-CURRENT LIABILITIES									
Interest-bearing bank loans and other borrowings	–	43,734	205,519	205,519	–	–	–	–	205,519
Convertible bonds	2,455,707	–	–	2,455,707	–	–	–	–	2,455,707
Deferred tax liabilities	38,941	–	–	38,941	–	772,658	–	–	811,599
Other non-current liabilities	–	251	1,180	1,180	–	–	–	–	1,180
Total non-current liabilities	2,494,648	43,985	206,699	2,701,347	–	772,658	–	–	3,474,005
Net assets	2,958,111	20,595	96,783	3,054,894	218,061	1,802,867	(1,576,709)	(64,377)	3,434,736
Equity									
Issued capital	5,217	2,511	11,800	17,017	162	–	(11,800)	–	5,379
Equity component of convertible bonds	66,978	–	–	66,978	–	–	–	–	66,978
Reserves	2,885,916	16,812	79,005	2,964,921	217,899	1,802,867	(1,887,850)	(64,377)	3,033,460
Non-controlling interests	–	1,272	5,978	5,978	–	–	322,941	–	328,919
Total equity	2,958,111	20,595	96,783	3,054,894	218,061	1,802,867	(1,576,709)	(64,377)	3,434,736

(iii) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The consolidated statement of financial position of the Target Group and other items denominated in Australian dollars are translated into Renminbi at the approximate exchange rate of to AUD1.00 to RMB4.6993, for illustration purpose only and such translation does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted at the above rate.

2. Pursuant to the Share Sale Agreement, the pro forma adjustment represents the net aggregate consideration of AUD1,263 million (equivalent to approximately RMB5,918 million) paid to the Sellers (as defined in the Share Sale Agreement) to acquire approximately 83% shares of the Target Group made by the Group. The aggregate consideration comprised of net cash consideration of AUD1,213 million (equivalent to approximately RMB5,700 million) and shares consideration of AUD50 million by way of the issue of 20,513,085 shares of the Company at an issue price of HKD13.48 (totalling approximately HKD277 million, equivalent to approximately RMB218 million) for each issued share capital of the Company. All conditions precedent set out in the Share Sale Agreement have been satisfied, and the acquisition completed on 30 September 2015 (the "**Closing Date**"). The net aggregate consideration amounted to AUD1,263 million (equivalent to approximately RMB5,918 million) and will be further adjusted based on the closing audit to be completed within 60 Business Days from the Closing Date, pursuant to the Share Sale Agreement. The consideration will be satisfied by a combination of the internal resources of the Group and external banking facility obtained by the Group.

   On 17 September 2015, the Group obtained USD443.25 million (equivalent to approximately RMB2,710 million) loan facilities (being the loan facilities amounts of USD450 million (equivalent to approximately RMB2,751 million) netting off an up-front fee of USD6.75 million (equivalent to approximately RMB41 million)) to finance the acquisition and all the loan facilities shall be repaid on the earlier of date falling on 12 months after the first utilization date or 30 November 2016. For the purpose of illustrating the Unaudited Pro Forma Financial Information, the exchange rate of USD1.00 to RMB6.1136 as published by the People's Bank of China prevailing at 30 June 2015 was used to convert from USD to RMB.

   A Roll-Up Call Option Deed came into effect simultaneously when the Share Sale Agreement was signed. The Directors estimated that the fair value of the Holdco Put Option embedded in the Roll-up Call Option Deed as at 30 June 2015 to be AUD15,438,000 (equivalent to approximately RMB72,548,000) based on a valuation which used the Monte-Carlo Simulation Model performed by an independent valuer, American Appraisal China Limited ("**American Appraisal**"), the Directors recognised a liability of RMB72,548,000 as a derivative financial instrument.

For the purpose of illustrating the Unaudited Pro Forma Financial Information, the exchange rate of AUD 1.00 to RMB4.6993 and HKD1.00 to RMB0.7886 as published by the People's Bank of China prevailing as at 30 June 2015 was used to convert from AUD to RMB and HKD to RMB, respectively, and the details are set out as follows:

	AUD'000	*RMB'000*
Cash consideration	1,213,000	5,700,251
	HKD'000	
Shares consideration	276,516	218,061
Total consideration		5,918,312

3. The pro forma adjustment reflects the fair value adjustment of the identifiable assets and liabilities of the Target Group. Upon closing of the acquisition of approximately 83% of the total equity interest in the Target Group (the "**Acquisition**"), the identifiable assets and liabilities of the Target Group will be accounted for in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group at fair value under the purchase method of accounting in accordance with International Financial Reporting Standard 3 (Revised) "Business Combinations".

The Directors estimated that the fair value of the trademark, customer relationships, the royalty agreement and the unpatented product formula in intangible assets as at 30 June 2015 to be AUD548,742,000 (equivalent to approximately RMB2,578,703,000) based on the valuation performed by American Appraisal as follows:

	AUD'000	*RMB'000*
Trademark	339,892	1,597,254
Customer relationships	181,819	854,422
Royalty agreement	15,939	74,902
Unpatented product formula	11,092	52,125
Total	548,742	2,578,703

The valuer has adopted the relief from royalty method under the income approach for the valuation of the trademark. This valuation methodology is based on the assumption that the Target Group would have to pay a royalty payment if the Target Group did not have the legal right to utilise the trademark.

The excess earnings method under the income approach has been adopted by the valuer for the valuation of customer relationships and the royalty agreement. In the excess earnings method, value is estimated as the present value of the benefits anticipated from the ownership of the subject intangible asset in excess of the returns required on the investment of the contributory assets necessary to realise those benefits. The method is based on the theory that all operating assets contribute to the profitability of the Target Group.

The fair value of the unpatented product formula was evaluated using the cost approach. The cost approach is a technique that uses the reproduction or replacement cost as an initial basis for value.

As the carrying amount of the trademark of the Target Group as at 30 June 2015 is AUD676,227 (equivalent to approximately RMB3,178,000) and other intangible assets identified above is nil, the Directors adjusted RMB2,575,525,000 to the intangible assets. The tax liability impact of RMB772,658,000 in relation to such fair value adjustments, which is 30% of the RMB2,575,525,000 adjustment, is also taken into account. The fair value of the identifiable net assets of the Target Group is calculated as follows:

	RMB'000
The carrying amount of the net assets of the Target Group as at 30 June 2015	96,783
Fair value adjustment	2,575,525
The deferred tax liability impact of fair value adjustment	(772,658)
Fair value of the identifiable net assets of the Target Group	1,899,650

According to the Group's accounting policy, impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the specific intangible asset relates. Where the recoverable amount of the intangible asset is less than the carrying amount, an impairment loss will be recognized.

In the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the Directors had performed an impairment assessment of the identified intangible assets in accordance with IAS 36 Impairment of Assets and the Group's accounting policy.

Based on the impairment test, the recoverable amount of each of the identified intangible assets exceeds its carrying amount and accordingly, no pro forma adjustment in respect of impairment is made by the Directors in the Unaudited Pro Forma Financial Information for the Enlarged Group. However, should there be any adverse changes to the business of the Target Company, including but not limited to, any subsequent adverse changes in the operation, the impairment may be required to be recognised against the identified intangible assets in accordance with IAS 36 and the Group's accounting policy.

The Company will adopt consistent accounting policies for impairment tests in future. The Company's auditor will review the Company's assessment on the impairment of the identified intangible assets in accordance with Hong Kong Standards on Auditing at the end of each reporting period for the purposes of its audit in future.

The fair value of the identifiable assets and liabilities of the Target Group as at the Closing Date is still under reassessment which may be substantially different from the respective value used in the unaudited pro forma statement of assets and liabilities of the Enlarged Group. Once information on the fair value of the identifiable net assets of the Target Group is available, the goodwill recognised for identifiable assets and liabilities acquired at the Closing Date may be different from the amount presented above.

4. The goodwill of the Enlarged Group represents the excess of the cost of the Acquisition over the estimated fair value of the identifiable net assets of the Target Group.

For the purpose of this Unaudited Pro Forma Financial Information, the Directors of the Company had assumed that: (1) the total consideration of the Acquisition was approximately RMB5,918 million; (2) the derivative financial instrument was RMB73 million, as set out in Note 2 above, pursuant to the Share Sale Agreement; (3) the non-controlling interests represented approximately 17% of the total issued share capital of the Target Group, which are calculated by multiplying 17% with the fair value of identifiable net assets acquired set out in Note 3 above, and (4) the estimated fair value of the identifiable net assets of the Target Group as at 30 June 2015 is set out in Note 3 above.

The goodwill arising from the Acquisition is calculated as follows:

	RMB'000
The consideration of the Acquisition	5,918,312
Non-controlling interests	322,941
Fair value of identifiable net assets acquired	(1,899,650)
Fair value of derivative financial instrument	72,548
Goodwill arising from the Acquisition (the "**Goodwill**")	4,414,151

The Directors confirm that the basis used in the preparation of the Unaudited Pro Forma Financial Information is consistent with the accounting policies of the Group, and the accounting policies will be consistently adopted in the first set of the financial statements of the Company after the closing.

Since the fair value of the identifiable net assets of the Target Group at the Closing Date of the Acquisition may be substantially different from the respective value used in the unaudited pro forma statement of assets and liabilities of the Enlarged Group, the goodwill recognised at the Closing Date of the Acquisition may be different from the amount presented above.

According to the Group's accounting policy, impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the Goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash generating units) is less than the carrying amount, an impairment loss will be recognised. An impairment loss recognised for the Goodwill will not be reversed in a subsequent period.

In the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the Directors had performed an impairment assessment of the Goodwill in accordance with IAS 36 Impairment of Assets and the Group's accounting policy. Based on the impairment test, the recoverable amount of the cash-generating unit in which the Target Company was assigned exceeds its carrying amount and accordingly, no pro forma adjustment in respect of goodwill impairment is made by the Directors in the Unaudited Pro Forma Financial Information for the Enlarged Group. Such assessment assumed that (i) there are no major material adverse changes in the fair values of the assets and liabilities; and (ii) the identifiable assets and liabilities can be realised at their book values. However, should there be any adverse changes to the business of the Target Company, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognized against the Goodwill in accordance with IAS 36 and the Group's accounting policy.

The Company will adopt consistent accounting policies for impairment tests in future. The Company's auditor will review the Company's assessment on the impairment of goodwill in accordance with Hong Kong Standards on Auditing at the end of each reporting period for the purposes of its audit in future.

5. The expense of professional services related to the Acquisition is estimated to be approximately RMB64,377,000. No other adjustments have been made to reflect any trading results or other transactions of the Group and the Target Group subsequent to 30 June 2015.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Enlarged Group.

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

9 November 2015

To the board of directors of Biostime International Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Biostime International Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to the "**Group**") and Swisse Wellness Group Pty Ltd and its subsidiaries (collectively, the "**Target Group**") (the Group and the Target Group are collectively referred to as the "**Enlarged Group**") by the directors of the Company (the "**Directors**") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2015 and related notes set out on page III-1 to III-8 of the Circular issued by the Company (the "**Unaudited Pro Forma Financial Information**"). The applicable criteria of the basis on which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page III-1 to III-8 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisition of approximately 83% equity interest in Swisse Wellness Group Pty Ltd (the "**Acquisition**") on the Group's financial position as at 30 June 2015 as if the Acquisition had taken place at 30 June 2015. As part of this process, the information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the six months ended 30 June 2015 as set out in the interim report of the Company dated 18 August 2015. The information about the Target Group's financial position has been extracted by the Directors from the financial information of The Target Group as set out in its accountants' report included in Appendix II to the Circular.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Reporting Accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Acquisition, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Acquisition in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

Set out below is the management discussion and analysis on the Target Group for the three years ended 30 June 2013, 2014 and 2015.

BUSINESS AND FINANCIAL REVIEW

The Target Group is principally engaged in research, marketing and distribution of vitamins and health supplements in Australia and New Zealand under the "Swisse" brand. The Target Group is a strong player in the Australian vitamin, and herbal and mineral supplements segment. The Target Group has a large and differentiated portfolio of premium nutrition supplement products across key nutrition categories. The Target Group, with more than 50 years history, has displayed robust growth in recent years which it owes to its unique formulations, proven quality, and track record of innovation, together with an aspirational brand supported by strong sales and marketing teams. Swisse has embarked on a global market expansion strategy by entering into a joint venture collaboration agreement with PGT Healthcare LLP (a joint venture between Procter & Gamble and Teva Pharmaceutical Industries) ("**PGT Collaboration Agreement**"), with a plan to increase the Target Group's global presence.

For each of the three years ended 30 June 2013, 2014 and 2015, the Target Group generated revenue from continuing operations of AUD149.7 million, AUD125.6 million and AUD313.1 million, respectively. The earning/(loss) before interest, taxes, depreciation and amortization ("**EBITDA**") from the continuing operations of the Target Group was AUD(3.6) million, AUD3.3 million and AUD112.6 million for the three years ended 30 June 2013, 2014 and 2015, respectively.

For the year ended 30 June 2013, the Target Group recorded revenue from continuing operations of AUD149.7 million and EBITDA from continuing operations of AUD(3.6) million. During the year, the Target Group strived to achieve number one ranking in the "health and wellness" category in the vitamins, herbal and mineral supplements segment in Australia. The Target Group focused on revenue growth, using heavy discounts to gain market share and shelf space. During the year end 30 June 2013, the business invested heavily in advertising and marketing, which included the 2012 Olympics campaign, to promote brand awareness and secure additional shelf space with key grocery and pharmacy retailers.

The revenue decreased by 16.1% in the year ended 30 June 2014 as compared with the year ended 30 June 2013. The decrease was mainly due to (i) customer overstocking in the year ended 30 June 2013 as the Target Group pushed to gain more shelf space in the pharmacy channel; (ii) sales of a new product range in some key grocery customers not gaining traction after a promotion campaign; and (iii) deliberate strategy by the management team of the Target Group to reduce discretionary discount which would be for the long term benefit of the business.

EBITDA from continuing operations increased from AUD(3.6) million in the year ended 30 June 2013 to AUD3.3 million in the year ended 30 June 2014. The increase was mainly due to management's focus on the core business to ensure profitability. In particular, the board of directors of the Target Group and its executive team focused on improving margins, reducing losses and improving shareholder profitability.

The Target Group tried to expand its overseas business, having launched its US business in 2013. However, due to the lack of proper funding for the investment and various other factors, management made a decision to close its US operation and initiated an active program to exit the US market during the year ended 30 June 2014. The US operations were reported in the 2013 and 2014 financial statements of the Target Group as loss from discontinued operation of AUD11.6 million and AUD33.8 million, respectively.

The revenue increased significantly by 149.3% in the year ended 30 June 2015 as compared to the year ended 30 June 2014. The increase was primarily driven by growth in demand from China from October 2014 which was harnessed by the Target Group and an increase in local consumption in Australia and New Zealand due to higher brand awareness. Furthermore, the average selling price within the pharmacy channel increased due to the decrease in percentage of discount led by the new discounting strategy that gave consumers extra stock rather than discounts.

EBITDA from continuing operations increased from AUD3.3 million for the year ended 30 June 2014 to AUD112.6 million for the year ended 30 June 2015. The significant increase in EBITDA was mainly driven by passive demand from China based consumers, a decrease in the percentage of discounts given, a further improvement in the cost of goods sold through the engagement of new suppliers and having negotiated better pricing with incumbents, and lower advertising spend as a result of a large investment for the year ended 30 June 2013.

The Target Group earns royalties in the form of commission based on the amount of sales under the PGT Collaboration Agreement. The first royalties were generated in the 2015 financial year.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Target Company's daily operation and capital expenditures are mainly funded by cash generated from the operations. As at 30 June 2013, 2014 and 2015, the net current assets/(liability) of the Target Group amounted to approximately AUD(24.1) million, AUD1.7 million and AUD56.4 million, respectively, and the net asset/(liability) of the Target Group amounted to approximately AUD(10.5) million, AUD(46.3) million and AUD20.6 million, respectively.

The debt ratio (being total liabilities over total assets) was approximately 112.1%, 159.9% and 89.7% as at 30 June 2013, 2014 and 2015, respectively.

As at 30 June 2013, 2014 and 2015, the Target Group had cash and cash equivalents of AUD0.8 million, AUD14.1 million, and AUD57.2 million, respectively, and has consistently generated healthy net cash from operations during the relevant periods.

As at 30 June 2013, 2014 and 2015, the Target Group had AUD28.5 million, AUD1.8 million and AUD0.6 million in short term borrowings and financial lease liabilities.

As at 30 June 2013, 2014 and 2015, the Target Group had AUD1.6 million, AUD66.4 million and AUD43.7 million in long term borrowings and financial lease liabilities. All banking facilities were held by the Target Company and Swisse Wellness Pty Ltd which in turn provides working capital to group entities by way of at call loans. All wholly owned Australian subsidiaries were guarantors to the AUD70 million of three year term loan facilities provided to the Target Company.

As at 30 June 2013, 2014 and 2015, the equity/(deficiency in equity) attributable to owners of the Target Company was AUD(10.5) million, AUD(46.3) million and AUD20.6 million respectively.

The gearing ratio (being net debt divided by total equity attributable to owners of the Target Company) was approximately (279.5)%, (116.5)% and 62.8% as at 30 June 2013, 2014 and 2015, respectively.

The Target Group's risk management is carried out by the executive management team under policies approved by the board of directors of the Target Company. The executive management team identifies and evaluates financial risks. The board of directors of the Target Company provides the principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, credit risk, use of non-derivative financial instruments and investment of excess liquidity.

The Target Group's main interest rate risk arises from long term borrowings with variable rates, which expose the Target Group to cash flow interest rate risk. The Target Group's borrowings at variable rates were mainly denominated in Australian Dollars.

For the majority of the borrowings, the fair values are not materially different to their carrying amounts since the interest payable on these borrowings is either close to current market rates or the borrowings are of a short term nature. The fair value of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

The interest rate risk is managed by monitoring cash flows closely to determine the timing and to maximize the quantum of debt repayments, therefore reducing interest rate risk exposure.

PLEDGE AND CHARGES ON ASSETS

As at 30 June 2013, 2014 and 2015, the Target Group's total assets with net carrying amount of approximately AUD86.3 million, AUD77.4 million and AUD200.2 million respectively were pledged to secure the Target Group's interest-bearing bank borrowings of AUD30.1 million, AUD68.1 million and AUD44.3 million respectively. Save for the above, the Target Company did not have any charge on assets as at 30 June 2013, 2014 and 2015.

Subsequent to 30 June 2015, the Target Group repaid all of its principal and interest owing on the syndicated facility with MTGRP LLC, an investment holding company and a wholly owned subsidiary of Goldman Sachs Group Inc. The syndicated facility was terminated on 25 September 2015 and all encumbrances under the facility agreement were released by the financier. The Target Group was discharged from a guarantee and indemnity of up to AUD8,450,000 provided in favour of HSBC Bank Australia Limited in relation to a loan provided to an entity controlled by a member of key management personnel. Subsequent to 30 June 2015, the security under the guarantee facility between Swisse Wellness Pty Limited and HSBC Bank Australia Limited under a letter of offer dated 30 July 2013 comprising of a AUD1,850,000 guarantee facility, an uncommitted and unadvised foreign exchange facility and a corporate platinum credit card with a AUD150,000 limit was also discharged.

FOREIGN EXCHANGE EXPOSURE

The business operation of the Target Group is principally conducted in Australia and most of the transactions are denominated in AUD.

The foreign exchange risk is managed through measures such as working capital management in same currency, pricing negotiation with overseas suppliers in AUD and forward exchange contracts.

The Target Group is primarily exposed to changes in USD/AUD exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD denominated financial instruments. Profits were more sensitive to movements in the USD/AUD exchange rates in 2013 and 2014 than 2015 because of the amount of transactions attributable to the USA operations. The Target Group's exposure to foreign exchange movements in 2015 was not material.

SIGNIFICANT INVESTMENT HELD

For the years ended 30 June 2013, 2014 and 2015, the Target Group did not have any significant investments.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARY OR ASSOCIATED COMPANY

On 30 July 2013, the Target Group underwent a corporate restructuring where the Target Company acquired Swisse Wellness Pty Ltd and its controlled entities.

Prior to October 2013, the Target Group had a 40.0% stake in Noisy Beast Pty Ltd ("**Noisy Beast**"). In October 2014, the Target Group acquired an additional 7.33% interest in Noisy Beast.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Target Group has no future plans for material investments or capital assets in the coming year.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2013, 2014 and 2015, the Target Group had a total of 152, 154 and 186 employees respectively. The total employee benefit expenses were AUD16.3 million, AUD19.1 million and AUD26.9 million, respectively, for the years ended 30 June 2013, 2014 and 2015.

The Target Group is committed to employment policies that follow best practice, are based on equal opportunities for all, and recognise the diversity of its employees. This approach includes the fair treatment of people with disabilities in relation to their recruitment, training and development.

The Target Group adopted the Management Incentive Share Plan to enable eligible employees to acquire convertible shares in the Target Group. During 2015, the Target Group issued 675,687 convertible shares to eligible employees. Each convertible share could convert into an ordinary share on the sale of the business after 6 June 2016 if certain financial conditions were met, in which case it would rank equally with all other ordinary shares on conversion. The convertible shares do not confer on the holders any voting rights or dividends declared by the board of directors of the Target Group. If the sale of the business occurred prior to 6 June 2016 (including the satisfaction of certain conditions as part of the sale), the convertible shares would automatically be forfeited and/or cancelled. In accordance with the terms of the Management Incentive Share Plan, the convertible shares were forfeited and/or cancelled immediately prior to Completion. The eligible employees have been paid a cash bonus of approximately AUD95 million on Completion. The cash bonus is equivalent to the proceeds the eligible employees would have received had the convertible shares been converted into ordinary shares.

Superannuation was contributed at 9.5% of before-tax salary in accordance with the legislative minimum for all of the permanent, casual and executive employees.

Superannuation has been paid on Ordinary Time Earnings ("**OTE**") and contributions have been made to Australian superannuation funds. Superannuation was not paid to consultants engaged by the Target Group as it is not required to be. OTE are the salary or wage employees earns for their ordinary hours of work. OTE must be used to calculate the minimum Super Guarantee contribution employers need to make for their employees.

CONTINGENT LIABILITIES

The Target Group had no material contingent liabilities as at 30 June 2013, 2014 and 2015.

OUTLOOK

The Target Group has an experienced senior management team, who will remain with the Target Group on Completion and alongside the existing shareholders, who will retain the remaining approximately 17% of the equity interest of the Target Group. The Board believes that such an arrangement will help ensure a smooth transition to new ownership, align interests and incentivize the Target Group's senior management team to continue to drive performance and synergies within the Enlarged Group.

The strong appetite of Chinese consumers for overseas quality supplements is expected to support the Target Group's strong momentum for growth. The Group believes that the Acquisition will enable the Target Group to grasp this growing demand by growing internet sales while activating sales through the Group's extensive distribution channels, thus resulting in significant revenue synergies.

Apart from market expansion, the Board expects to achieve synergies from the Acquisition through sharing supplier bases for procurement, research & development, new product development, sales and marketing expenses, as well as in the sharing of best practices.

The Target Group has a global supply chain and it adheres to the Therapeutic Goods of Administration of Australia guidelines when manufacturing its products. It is the Target Group's commitment to premium ingredients and commitment to quality manufacturing that has enabled it to obtain success and this is a key focus for the Target Group Quality Assurance team, Target Group executive management team and Target Group board to ensure this is maintained.

The Target Group has invested significantly in its supply chain and knowledge of raw materials and brand which has seen it generate a strong intellectual property portfolio over a long period of time. The Target Group has market-leading initiatives around new product development, best in class ingredients and a unique 360 degree marketing model that is a key driver of such intellectual property.

The Target Group has over the past two years devoted significant resources into its Operations and Procurement teams and is specifically focused on optimising Contract Manufacturer selection and cost drivers of its product. This has seen significant cost improvement during financial year 2015 and there is a strong benefit expected in the medium term.

The Target Group has been spending the last 12 months working with its suppliers to increase capacity to keep up with the demand from Chinese consumers. The Target Group has worked with a global management consulting firm which has confirmed that Target Group's capacity can be approximately 2-3 times current levels within the next 12 months. This, alongside with the continued investment of key hires in the Operations and Procurement team gives, Swisse confidence in continued growth of the sales and profit lines in the medium to long term.

The following is the text of a letter received from the Company's Financial Adviser, HSBC, for the purpose of incorporation in this circular.

HSBC

9 November 2015

The Board of Directors
Biostime International Holdings Limited
Unit No. 3508, 35th Floor,
West Tower, Shun Tak Centre
200 Connaught Road Central,
Hong Kong

Dear Sirs,

We refer to the circular (the "**Circular**") of Biostime International Holdings Limited ("**Biostime**", "**Client**" or "**Buyer**") published on 9 November, 2015 in relation to the acquisition of an approximately 83% equity interest in Swisse Wellness Group Pty Ltd (together with its subsidiaries "**Swisse**" or "**Target Company**"). Unless otherwise stated, capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular.

For the purposes of preparing the unaudited pro forma financial information of the Enlarged Group set out in Appendix III to the Circular, the Buyer has estimated the fair values of certain assets of the Target Company as of 30 June, 2015 (the "**Valuation Date**") based on a valuation report dated 26 October 2015 prepared by American Appraisal China Limited (the "**Valuer**"), an independent valuer engaged by the Buyer (such report being the "**Valuation Report**"). We note that some of the methodologies applied in the valuations of certain assets of Swisse including (i) customer relationships, (ii) trademark and (iii) royalty agreement ("**Intangible Assets**") as of the Valuation Date in the Valuation Report (the "**Valuation**") are regarded as profit forecasts under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") (the "**Forecasts**").

We have discussed with the Directors of the Buyer and the Valuer regarding the bases and assumptions adopted under which the Valuation Report have been prepared, and reviewed the Valuation Report for which the Valuer is responsible. We have also considered the letter from the reporting accountant, Ernst & Young, set out in Appendix VI of the Circular regarding the calculations upon which the Forecasts have been made.

On the basis of the foregoing and pursuant to Rule 14.62(3) of the Listing Rules, we are of the opinion that the Forecasts underlying the Valuation, for which the Directors of the Buyer are solely responsible, have been made after due and careful enquiry.

We have not independently verified the computations leading to the Valuer's determination of the fair values of the Intangible Assets of the Target Company. We have had no role or involvement and have not provided and will not provide any assessment of the fair values of the Intangible Assets of the Target Company. Accordingly, save as expressly stated in this letter, we take no responsibility for and express no views, whether expressly or implicitly, on the fair values of the Intangible Assets of the Target Company as determined by the Valuer and set out in the Valuation Report issued by the Valuer or otherwise.

Yours faithfully,
For and on behalf of
The Hongkong and Shanghai Banking Corporation Limited

William Tang
Managing Director,
Head of Consumer & Retail, Corporate Sector Group

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular.

EY 安永

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

9 November 2015

REPORT ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATIONS OF CERTAIN IDENTIFIABLE INTANGIBLE ASSETS OF SWISSE WELLNESS GROUP PTY LTD AND ITS SUBSIDIARIES

To the board of directors of Biostime International Holdings Limited

We have performed the work described below, in respect of the arithmetical accuracy of the calculations of the discounted cash flow forecast (hereinafter referred to as the "**Underlying Forecast**") on which the valuations (the "**Valuations**") dated 26 October 2015 prepared by American Appraisal China Limited in respect of the appraisal of the fair values of trademark, customer relationships and royalty agreement (collectively referred to the "**Intangible Assets**") of Swisse Wellness Group Pty Ltd and its subsidiaries (the "**Target Group**") as at 30 June 2015. The Valuations are prepared based on the Underlying Forecast and are regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors (the "**Directors**") of Biostime International Holdings Limited (the "**Company**") to prepare the Underlying Forecast. The Underlying Forecast for the Valuations has been prepared using a set of assumptions (the "**Assumptions**"), the completeness, reasonableness and validity of which are the sole responsibility of the Directors.

It is our responsibility to draw a conclusion, based on our work on the arithmetical accuracy of the calculations of the Underlying Forecast on which the Valuations are based and to present our conclusion solely to you, as a body, for the purpose of reporting under paragraph 14.62(2) of the Listing Rules and for no other purpose. We are not reporting on the appropriateness and validity of the bases and Assumptions on which the Underlying Forecast are based and our work does not constitute any valuation of the Intangible Assets. The Underlying Forecast does not involve the adoption of accounting policies. The Assumptions used in the preparation of the Underlying Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. We have not reviewed, considered or conducted any work on the completeness, reasonableness and the validity of the Assumptions and thus express no opinion whatsoever thereon. Our work is more limited than that for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. We also accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

BASIS OF CONCLUSION

We conducted our work in accordance with Hong Kong Standards on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of checking the arithmetical accuracy of the calculations, of the Underlying Forecast prepared based on the Assumptions made by the Directors. Our work has been undertaken solely to assist the Directors in evaluating whether the Underlying Forecast, so far as the arithmetical accuracy of the calculations is concerned, has been properly compiled in accordance with the Assumptions made by the Directors. Our work does not constitute any valuation of the Intangible Assets as at 30 June 2015.

CONCLUSION

Based on our work described above, nothing has come to our attention that causes us to believe that the Underlying Forecast in respect of the valuations of Intangible Assets, so far as the arithmetical accuracy of the calculations of the Underlying Forecast is concerned, has not been properly compiled on the basis of the Assumptions made by the Directors.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short position of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company under Section 352 of the SFO; or (c) to be notified by the Directors and chief executive to the Company and the Stock Exchange pursuant to the 'Model Code for Securities Transactions by Directors of Listed Issuers' set out in Appendix 10 to the Listing Rules, 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 (%)
Luo Fei	Beneficial owner	Long position	621,239 *(Note 1)*	0.099
	Beneficial owner	Long position	194,100 *(Note 2)*	0.031
	Beneficiary of a trust	Long position	450,000,000 *(Note 3)*	71.430
Luo Yun	Beneficiary of a trust	Long position	450,000,000 *(Note 3)*	71.430
Kong Qingjuan	Beneficial owner	Long position	381,558 *(Note 1)*	0.061
	Beneficial owner	Long position	99,000 *(Note 4)*	0.016
Ngai Wai Fung	Beneficial owner	Long position	100,000 *(Note 5)*	0.016
Tan Wee Seng	Beneficial owner	Long position	100,000 *(Note 5)*	0.016
Xiao Baichun	Beneficial owner	Long position	100,000 *(Note 5)*	0.016

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.

Note 2: These are the Awarded Shares granted by the Company under the Share Award Scheme, including 97,000 Awarded Shares granted on 30 March 2012, 55,000 Awarded Shares granted on 3 July 2012, 30,500 Awarded Shares granted on 25 March 2013 and 11,600 Awarded Shares granted on 10 October 2014.

Note 3: As at the Latest Practicable Date, Biostime Pharmaceuticals (China) Limited (合生元製藥(中國)有限公司), our controlling shareholder, is owned as to 47.71% by Coliving Limited, and therefore, Biostime Pharmaceuticals (China) Limited (合生元製藥(中國)有限公司) was deemed to be controlled by Coliving Limited. Coliving Limited is owned as to 59.00% by Flying Company Limited and 41.00% by Sailing Group Limited, and therefore, Coliving Limited is deemed to be controlled by each of Flying Company Limited and Sailing Group Limited. UBS Trustees (BVI) Limited, the trustee of 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. 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 4: 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 6,000 Awarded Shares granted on 10 October 2014.

Note 5: 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.

Note 6: As at the Latest Practicable Date, the total number of the issued Shares of the Company was 629,984,587.

As at the Latest Practicable Date, no right to acquire the aforementioned interests had been granted to the Directors or chief executive or their respective associates of the Company.

Disclosure of interests of substantial Shareholders

As at the Latest Practicable Date, other than any Director or the chief executive of the Company, the following persons had interests of 5% or more in the shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of substantial Shareholder	**Number of Shares**	**Capacity/ Nature of Interest**	**Long/Short Position**	**Approximate Percentage of interest in the Company (%)** *(Note 2)*
Biostime Pharmaceuticals (China) Limited (合生元製藥(中國)有限公司) *(Note 1)*	450,000,000	Beneficial owner	Long position	71.43
Coliving Limited *(Note 1)*	450,000,000	Interest in a controlled corporation	Long position	71.43
Flying Company Limited *(Note 1)*	450,000,000	Interest in a controlled corporation	Long position	71.43
Sailing Group Limited *(Note 1)*	450,000,000	Interest in a controlled corporation	Long position	71.43
UBS Trustees (BVI) Limited *(Note 1)*	450,000,000	Trustee	Long position	71.43

Note 1: As at the Latest Practicable Date, Biostime Pharmaceuticals (China) Limited (合生元製藥(中國)有限公司), our controlling shareholder, is owned as to 47.71% by Coliving Limited, and therefore, Biostime Pharmaceuticals (China) Limited (合生元製藥(中國)有限公司) was deemed to be controlled by Coliving Limited. Coliving Limited is owned as to 59.00% by Flying Company Limited and 41.00% by Sailing Group Limited, and therefore, Coliving Limited is deemed to be controlled by each of Flying Company Limited and Sailing Group Limited. UBS Trustees (BVI) Limited, the trustee of 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. 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 2: As at the Latest Practicable Date, the total number of the issued Shares of the Company was 629,984,587.

Save as disclosed above, the Company is not aware of any other person having any interests or short positions in the Shares or underlying shares of the Company as at the Latest Practicable Date as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or been proposed to enter, into any service contract with the Company or any other member of the Group which is not expiring or may not be terminable by the Group within one year without payment of compensation (other than statutory compensation).

4. INTERESTS IN ASSETS AND CONTRACTS AND COMPETING BUSINESS

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors were materially interested in any subsisting contract or arrangement which is significant in relation to the business of the Enlarged Group, and since 31 December 2014 (the date to which the latest published 2014 full year results of the Group were made up).

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors were directly or indirectly interested in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

5. QUALIFICATIONS, CONSENTS AND INTERESTS OF EXPERTS

The following are the qualifications of the experts who have given advice or opinion for incorporation and as contained in this circular:

Name	Qualifications
American Appraisal China Limited	Professional Valuer
Ernst & Young	Certified Public Accountants, Hong Kong

HSBC	A registered institution under the SFO, registered to conduct Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts), Type 4 (Advising on Securities), Type 5 (Advising on Futures Contracts), Type 6 (Advising on Corporate Finance) and Type 9 (Asset Management) regulated activities and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
PricewaterhouseCoopers	Chartered Accountants, Australia
PricewaterhouseCoopers Securities Ltd	Australian Financial Services Licence No 244572

As at the Latest Practicable Date, the HSBC group held a total of 11,849,172 shares in the Company, which is 1.881% of the total issued share capital of the Company of which 5,200,000 shares are held under a shock borrowing and lending arrangement. As at the Latest Practicable Date, save as disclosed above, the experts identified above had no shareholding, direct or indirect, in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, HSBC had security interests in certain assets of the Enlarged Group which have been since 31 December 2014 (the date to which the latest published 2014 full year results of the Group were made up), acquired by a member of the Enlarged Group pursuant to and in consideration for the bridge facility provided under the Facility Agreement. As at the Latest Practicable Date, save as disclosed above, the experts identified above had no direct or indirect interests in any assets which have been, since 31 December 2014 (the date to which the latest published 2014 full year results of the Group were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

The experts identified above have given and have not withdrawn their written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they are included.

The experts made this statement on the Latest Practicable Date for incorporation in this circular.

6. MATERIAL LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, no member of the Enlarged Group was involved in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business of the Enlarged Group) were entered into by member(s) of the Enlarged Group within the two years immediately preceding the date of this circular which are or may be material:

(a) the Share Sale Agreement, as described in this circular;

(b) the Shareholders' Agreement, as described in this circular;

(c) the Roll-Up Call Option Deed, as described in this circular;

(d) the Facility Agreement, as described in this circular;

(e) the equity transfer agreement dated 30 December 2013 entered into between 廣州市合生元生物製品有限公司 (Biostime, Inc (Guangzhou)*) and 合生元(廣州)健康產品有限公司 (Biostime (Guangzhou) Health Products Limited*) in relation to the acquisition of 100% equity interest in 長沙營可營養品有限公司 (Changsha Yingke Nutrition Products Company Limited*) for a total cash consideration of RMB350,000,000;

(f) the joint venture agreement dated 10 January 2014 entered into between Biostime Hong Kong and 杭州可靠護理用品股份有限公司 (Hangzhou Coco Healthcare Co., Ltd*) ("**Coco Healthcare**") in relation to the establishment of 杭州可艾個人護理用品有限公司 (Hangzhou Coamie Personal Care Products Co., Ltd.*), with a total registered capital of RMB100 million of which RMB60 million will be contributed by Coco Healthcare and RMB40 million shall be contributed by Biostime Hong Kong, to engage in the business of manufacture, sale, import and export of baby diapers; and

(g) the conditional subscription agreement entered into between the Company and HSBC on 14 January 2014, pursuant to which HSBC has agreed to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Hong Kong dollar denominated zero coupon convertible bonds due 2019 with an initial aggregate principal amount of HKD2,500,000,000 and the Hong Kong dollar denominated zero coupon convertible bonds due 2019 up to an aggregate principal amount of HKD600,000,000, exercisable at the option of HSBC.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the following documents will be available for inspection during the normal business hours from 9:00 a.m. to 5:00 p.m. (from Monday to Friday, excluding Saturday and public holidays) at principal place of business of the Company in Hong Kong at Unit No. 3508, 35th Floor, West Tower, Shun Tak Centre, 200 Connaught Road, Central, Hong Kong from the date of this circular up to and including 27 November 2015 (from Monday to Friday, excluding Saturday and public holidays):

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the year ended 31 December 2014 and 31 December 2013;

(c) contracts referred to in the section headed "Material Contracts" in this Appendix VII;

(d) the accountant's report on the Target Group, the text of which is set out in Appendix II to this circular and the related statement of adjustments;

(e) the report on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(f) the written consents referred to in the paragraph headed "5. Qualifications, Consents and Interests of Experts" of this Appendix;

(g) the letter from HSBC pursuant to Rule 14.62 of the Listing Rules in relation to the Forecasts of the Target Company as set out in Appendix V to this circular;

(h) the report from Ernst & Young pursuant to Rule 14.62 in relation to discounted cash flow forecast in connection with the valuation of certain identifiable assets of the Target Company as set out in Appendix VI to this circular;

(i) the Valuation Report; and

(j) this circular.

9. GENERAL

The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The principal place of business of the Company in Hong Kong is at Unit No. 3508, 35th Floor, West Tower, Shun Tak Centre, 200 Connaught Road, Central, Hong Kong.

The principal place of business of the Company in the PRC is at 29th Floor, Guangzhou International Finance Center, 5 Zhujiang West Road, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province 510623, PRC.

The principal share registrar and transfer office of the Company in the Cayman Islands is Royal Bank of Canada Trust Company (Cayman) Limited, 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands.

The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The joint company secretaries of the Company are: (a) Ms. Wong Tak Yee who is a fellow member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries; and (b) Ms. Yang Wenyun.

The English text of this circular shall prevail over the Chinese text in the case of inconsistency.