



BIOSTIME 合生元

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

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

(Stock Code 股份代號: 1112)



Interim Report 2011
二零一一年中期報告



We devote ourselves

to providing mothers with comprehensive parenting solutions





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聪明 IQ · 爱心 EQ · 活力 PQ



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

Mr. Luo Fei
Ms. Wong Tak Yee

REGISTERED OFFICE

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

HEAD OFFICE IN THE PRC

Room 1110, CITIC Plaza
233 Tianhe Road North, Guangzhou
Guangdong Province 510613
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit No. 2208 on 22/F of West Tower
Shun Tak Centre
Nos. 168–200 Connaught Road Central
Hong Kong

COMPANY'S WEBSITE

www.biostime.com.cn

PRINCIPAL BANKER

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

AUDITORS

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

COMPLIANCE ADVISOR

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

LEGAL ADVISOR

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

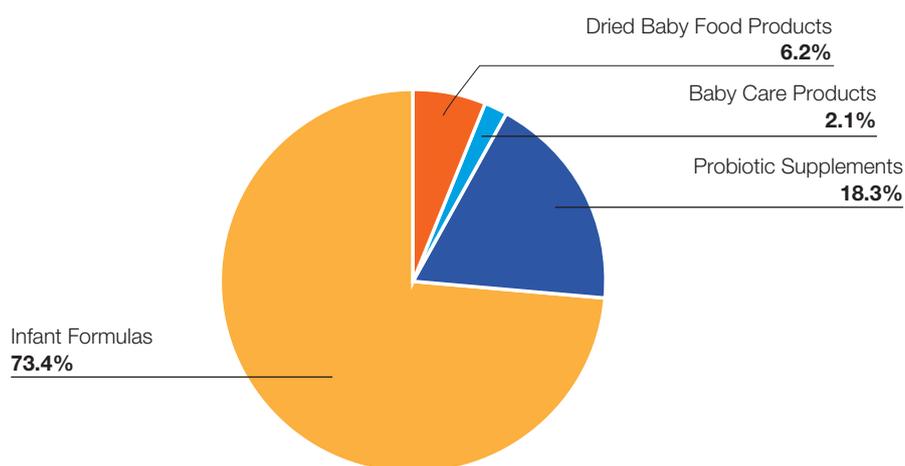
Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

FINANCIAL HIGHLIGHTS

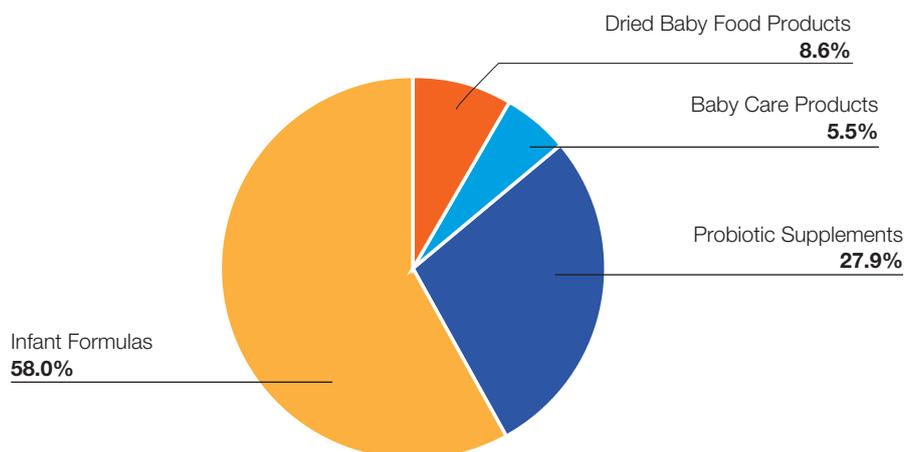
	Six months ended 30 June		
	2011 RMB'000	2010 RMB'000	% of change
Revenue	867,550	496,140	74.9%
Gross profit	589,694	352,440	67.3%
Profit for the period	195,626	116,753	67.6%
Earnings per share			
— Basic	RMB0.32	RMB0.26	23.1%
— Diluted	RMB0.32	RMB0.26	23.1%

REVENUE BY PRODUCT SEGMENT

Six months ended 30 June 2011



Six months ended 30 June 2010



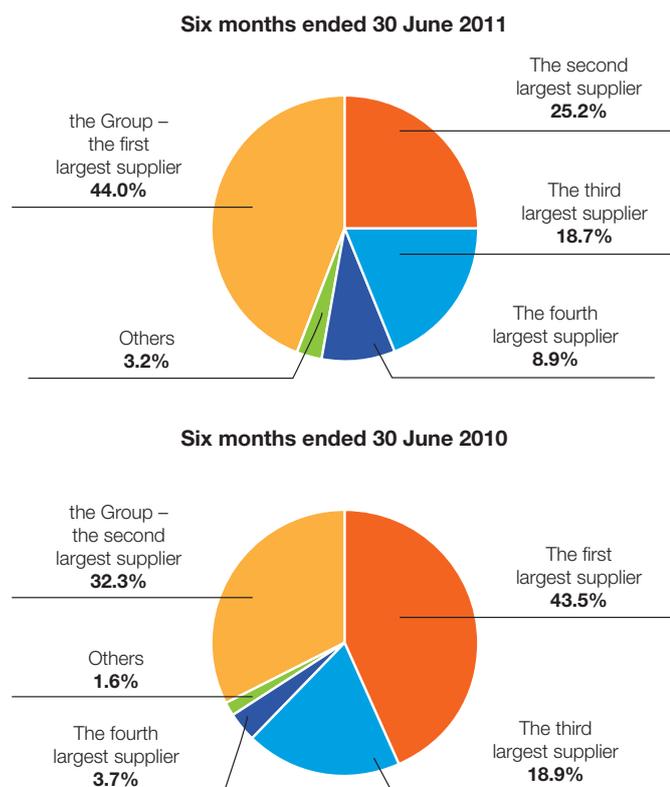
BUSINESS REVIEW

In the first half of 2011, China's economy maintained a steady and relatively fast growth. According to the National Bureau of Statistics, China's gross domestic product achieved a year-on-year increase of approximately 9.6% during the first half of 2011. Disposable income per capita for urban and rural citizens grew by 13.2% and 20.4% respectively in the first half of 2011 as compared with the comparable period of 2010. The consumer confidence index of China rebounded and reached 108 in the first quarter of 2011, which was far higher than the global average consumer confidence index of 92. The contrast indicated consumers in China remained positive about the future.

The Group continued to benefit from the booming baby products market in China. For the six months ended 30 June 2011, the Group recorded revenue of RMB867.6 million, representing an increase of 74.9% from the same period last year. Profit for the period was RMB195.6 million, which increased by 67.6% from the same period last year.

During the first half of 2011, infant formulas continued to be the Group's major revenue source. For the six months ended 30 June 2011, revenue of infant formulas increased by 121.1% to RMB636.6 million compared with the same period of 2010, accounting for 73.4% of total revenue. The Group's year-on-year revenue growth rates of high-tier and supreme-tier infant formulas⁽¹⁾ were 135.6% and 112.7% respectively in the first half of 2011, which were higher than the comparable market growths of 71.7% and 93.0% in China respectively according to the China's Infant Formulas Market Report For The First Half of 2011 prepared by *The Nielsen Company* (the "Market Report"). According to the Market Report, within the supreme-tier segment of China's infant formulas industry, the Group was the first largest player by sales with a market share of approximately 44.0% in the first half of 2011, increasing from 32.3% in the first half of 2010. Thanks to the Biostime Golden Care Infant Formulas launched in May 2010, the Group's market share within the high-tier segment of China's infant formulas industry has increased from 4.3% in the first half of 2010 to 7.4% in the first half of 2011, getting the sixth place.

The following charts set forth the market share of China's supreme-tier infant formulas market in the first half of 2010 and 2011:



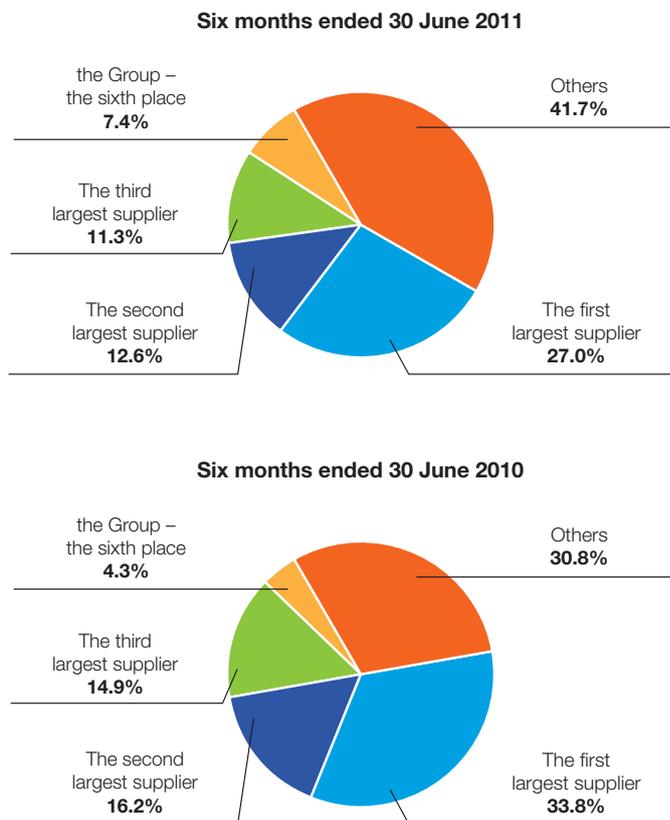
Source: Market Report

⁽¹⁾ According to the Market Report, infant formulas with retail prices generally between RMB200 and RMB300 per 900g are defined as high-tier infant formulas; infant formulas with retail prices generally higher than RMB300 per 900g are defined as supreme-tier infant formulas.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

The following charts set forth the market share of China's high-tier infant formulas market in the first half of 2010 and 2011:



Source: Market Report

The Group continued to reinforce its leading position in pediatric probiotic supplements market. For the six months ended 30 June 2011, revenue of probiotic supplements increased by 15.0% to RMB159.3 million, growing approximately 176.5% faster than the CAGR of the children's probiotic supplements market in China of 8.5% during the period from 2010 to 2014 according to *Euromonitor International*, and accounted for 18.3% of the Group's total revenue. For the six months ended 30 June 2011, revenue of dried baby food products and baby care products accounted for 6.2% and 2.1% of the Group's total revenue respectively.

Enhanced Brand Recognition

To further enhance brand recognition, the Group stepped up efforts in implementing precision and in-depth brand communication through mass media including television, magazines, internet, and Mama100 Membership Platform simultaneously. During the first half of 2011, the Group launched a massive new TV advertising campaign in approximately 31 TV channels including provincial TV channels and CCTV channels and cooperated with more than 20 professional nursing websites.

BUSINESS REVIEW (Continued)

Mama100 Membership Program

The Group implemented precision marketing through the innovative Mama100 Membership Program, a key service program that offered the members access to the customer service and nursing consulting hotline, the mama100.com website, and membership points accumulation program. By the end of the first half of 2011, the number of active members of the Group has increased to 685,458, representing an increase of 112.7% as compared with 30 June 2010.

Distribution Channels

Distribution channels are the important component of the Group's sophisticated value chain. The Group continues to widen its nationwide geographic footprint by consolidating distribution channels which consist of specialty stores, retail sales organizations and pharmacies. By the end of the first half of 2011, the number of VIP specialty stores has increased by 48.0% to 4,399, Mama100 Members' Zones in pharmacies increased by 126.2% to 389, and retail sales organizations increased by 35.2% to 2,126, as compared with 30 June 2010, respectively.



During the first half of 2011, approximately 68.0% of the Group's products were sold through VIP specialty stores, increased from 66.0% in the same period of last year; approximately 10.0% were sold through pharmacies, declined from 22.0% in the same period of 2010; and approximately 22.0% were sold through retail sales organizations, jumped from 12.0% in the comparable period of 2010.

Quarterly Campaigns among VIP Specialty Stores

The quarterly campaigns among VIP specialty stores are also one of the Group's innovative marketing activities, which further consolidate strategic partnership with VIP specialty stores. The campaigns include operation management training program for VIP specialty stores, forum, experience sharing and sales competition and etc. The campaigns fully integrate Mama100 Training Program, membership points accumulation program and membership stores magazines under Mama100 Membership Program. By the end of 30 June 2011, the Group has successfully organized 10 quarterly campaigns since 2008, which have attracted more than 4,000 VIP specialty stores to actively participate. This kind of effective marketing activities enables the Group to maintain a fast growth in VIP specialty stores as the Group's largest distribution channel.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

Mama100 Members' Zones in Retail Sales Organizations

The Group has set up temporary Mama100 Members' Zones in retail sales organizations. It is one of the Group's innovative and successful marketing activities and enables the Group to attract a large number of new members and increase the loyalty of old members in a short time through the implementation of precision marketing which includes precise selection of mothers participants, points accumulation and redemption experience using Mama100 Membership Card, product tasting, professional nursing consulting, and various consumer communication campaigns, while strengthening cooperation with retail sales organizations. Due to the precision marketing strategy, revenue from retail sales organizations increased by approximately 150.0% as compared with the same period of last year, representing a much faster growth rate than the other distribution channels. The new members from retail sales organizations increased by 169.2% in the six months ended 30 June 2011 as compared with the corresponding period of 2010.



Sales Team

In order to expand the Group's nationwide geographic coverage, effectively conduct the Group's sales and marketing activities in every geographical region, and to support the Group's distribution channels expansion and sophisticated value chain management, the Group has increased its sales offices from 62 to 87 by 30 June 2011, and completed systematic training programs for new sales managers and supervisors. The Group has also established business management systems for all new sales offices. The Group believes the successful marketing strategies it has created in existing areas will continue to be replicated successfully in new geographical regions in the future.

Construction of Research and Development Center

As listed in the Company's prospectus dated 3 December 2010 (the "Prospectus"), approximately 15.0% of net proceeds from the initial public offering will be used to invest in research and development as well as expand production infrastructure and warehouses. On 31 May 2011, the first batch of capital injection from the Company to its subsidiaries in the PRC using the net proceeds was officially approved by the Management Committee of Guangzhou Economic and Technological Development District (廣州經濟技術開發區管委會). The injected fund will mainly be used to invest in research and development as well as expand production infrastructure and warehouses. The Group believes that it will further improve the quality of its current products and develop a more diverse range of products. The construction of research and development center is expected to be completed in 2-3 years.

OUTLOOK

Looking forward into the second half of 2011, the Group is confident to capture the abundant opportunities in China's fast growing market of premium pediatric nutritional and baby care products. The Group will continue to increase its brand recognition among consumers and expand its distribution channels. The Group will further its development of Mama100 Membership Program. The Group will also firmly cooperate with its reputable suppliers and enrich its product range to satisfy the ever changing needs of high-end mother consumers.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION

Revenue

The Group's revenue increased by 74.9% to RMB867.6 million in the six months ended 30 June 2011 from RMB496.1 million in the six months ended 30 June 2010. This was mainly due to the strengthening brand recognition, the expansion of sales network, and the effective precision marketing activities through Mama100 Membership Program.

	Six months ended 30 June			
	2011 Revenue		2010 Revenue	
	RMB'000	% of total	RMB'000	% of total
Probiotic supplements	159,296	18.3%	138,492	27.9%
Infant formulas	636,550	73.4%	287,864	58.0%
Dried baby food products	53,631	6.2%	42,686	8.6%
Baby care products	18,073	2.1%	27,098	5.5%
Total	867,550	100.0%	496,140	100.0%

Probiotic Supplements

Revenue of probiotic supplements increased by 15.0% from RMB138.5 million in the six months ended 30 June 2010 to RMB159.3 million in the six months ended 30 June 2011, which was resulting from the expansion of sales network and the expanded customer base from the Group's other products.

Infant Formulas

Revenue of infant formulas increased by 121.1% from RMB287.9 million in the six months ended 30 June 2010 to RMB636.6 million in the six months ended 30 June 2011, accounting for 73.4% of the Group's total revenue for the first half of 2011. During the six months ended 30 June 2011, the revenue of high-tier infant formulas, including Biostime Golden Care Infant Formulas and Biostime Premium Infant Formulas, increased by 135.6% compared with the same period of 2010. Such increase was mainly due to the newly introduced Biostime Golden Care Infant Formulas launched in May 2010. The revenue of supreme-tier infant formulas, including Biostime Supreme Infant Formulas and Biostime Supreme Care Infant Formulas, increased by 112.7%, which was primarily due to the increase in Mama100 active members, greater market recognition and expansion of sales network.

Dried Baby Food Products

Revenue of dried baby food products kept a rapid growth, and rose by 25.5% from RMB42.7 million in the six months ended 30 June 2010 to RMB53.6 million in the six months ended 30 June 2011, which was mainly due to the recognition of organic series among dried baby food products by more and more mothers.

Baby Care Products

By the end of 30 June 2011, the accumulated membership points arising from baby care products increased by 97.2% as compared with the second half of 2010, and approximately 8.7% of new members comes from baby care products, representing an increased sales volume to ultimate consumers. The Group will keep promoting its *BMcare*TM brand and believes *BMcare*TM products will play a more important role over time. Revenue of baby care products under the *BMcare*TM brand had reached RMB18.1 million in the six months ended 30 June 2011, accounting for 2.1% of the Group's total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATION (Continued)

Gross Profit Margin

In May 2010, Biostime Golden Care Infant Formulas was launched and has successfully consolidated the Group's market position in high-tier infant formulas market. The Group's market share within the high-tier segment of China's infant formulas industry has increased from 4.3% in the first half of 2010 to 7.4% in the first half of 2011. Revenue contribution of high-tier infant formulas to the Group's infant formulas segment increased from 46.3% in the six months ended 30 June 2010 to 49.4% in the comparable period of 2011, while the revenue contribution of supreme-tier infant formulas decreased from 48.9% to 47.0%. The gross profit margin of infant formulas decreased slightly from 68.4% in the six months ended 30 June 2010 to 66.7% in the same period of 2011 due to the higher revenue contribution from high-tier infant formulas, which has a lower gross profit margin than that of supreme-tier infant formulas. In addition, due to the increased portion of revenue derived from infant formulas, which has a lower gross profit margin than that of probiotic supplements, the Group's overall gross profit margin decreased from 71.0% in the six months ended 30 June 2010 to 68.0% in the six months ended 30 June 2011. To a lesser extent, the decrease in gross profit margin was also attributable to the appreciation of the Euro against the Renminbi by approximately 3.6% on average during the first half of 2011 as compared with the same period of 2010. The Group believes Renminbi will appreciate in the long term. Moreover, the Group will continue to improve the supply chain management to maintain a reasonable gross profit margin.

Selling and Distribution Costs

During the first half of 2011, because of the effective implementation of precision marketing through Mama100 Membership Program and sophisticated value chain management, the Group had effectively managed the spending in operating activities while the revenue increased significantly. Selling and distribution costs as a percentage of revenue decreased from 38.4% in the six months ended 30 June 2010 to 38.0% for the same period in 2011. Due to the increased promotional expenses and advertising expenses, selling and distribution costs increased by 73.4% from RMB190.3 million in the six months ended 30 June 2010 to RMB330.0 million during the same period in 2011.

Administrative Expenses

Administrative expenses as a percentage of revenue decreased from 5.7% in the six months ended 30 June 2010 to 3.8% in the six months ended 30 June 2011. The decrease was primarily due to the Group's effective operation management and enhanced economies of scale. Moreover, the decrease was also caused by the listing expenses, which was on a one-off basis in 2010. In order to support the business growth and solidify the Group's infrastructure, administrative expenses increased by 15.5% from RMB28.4 million in the six months ended 30 June 2010 to RMB32.8 million in the six months ended 30 June 2011.

Income Tax Expense

The effective income tax rate increased from 14.0% in the six months ended 30 June 2010 to 21.7% in the six months ended 30 June 2011, which was also slightly higher as compared with the year ended 31 December 2010 of 20.5%. The increase of effective income tax rate was mainly due to the increased portion of profit before tax contributed by BiosTime, Inc. (Guangzhou), which is subject to corporate income tax rate of 25.0%, and the decreased portion of profit before tax contributed by Biostime (Guangzhou) Health Products Limited, which enjoyed a preferable corporate income tax rate of 12.0% in 2011. Due to the increase in the Group's profit before tax, income tax expense increased by 184.7% from RMB19.0 million in the six months ended 30 June 2010 to RMB54.1 million during the comparable period in 2011.

LIQUIDITY AND FINANCIAL RESOURCES

Cash Flows from Operating Activities

In the six months ended 30 June 2011, the Group had net cash generated from operating activities of RMB185.7 million, consisting of cash generated from operations of RMB235.4 million, partially offset by income tax paid of RMB49.7 million. The Group's cash generated from operations consisted of cash flow from operating activities of RMB250.7 million before working capital adjustments and net negative changes in working capital of RMB15.3 million.

Cash Flows Used in Investing Activities

In the six months ended 30 June 2011, the Group's cash used in investing activities was RMB8.4 million. The Group's net cash outflows for investing activities mainly consisted of (i) purchase of property, plant and equipment and intangible assets of RMB16.0 million, which primarily related to acquisitions of computers, coding machines, vehicles and computer software for business use and (ii) partially offset by interest received from the matured time deposits of RMB7.4 million.

Inventories

The inventory balance as of 30 June 2011 was RMB160.6 million, increased by 51.4% from the balance of RMB106.1 million as of 31 December 2010. The average inventory turnover days decreased from 96 days in 2010 to 86 days in the first half of 2011. The decrease in inventory turnover days was mainly resulting from the significant increase in the Group's sales volume in the first half of 2011, which was far beyond its expectation. Furthermore, the Group makes continuous effort to enforce its effective inventory policy and optimize the supply chain management.

Capital Expenditures

The Group's principal capital expenditures are related to the expansion of production facilities, major maintenance, modernization of existing plant and machinery. The Group's capital expenditures with respect to the purchase of property, plant and equipment and intangible assets were RMB5.3 million and RMB16.0 million in the six months ended 30 June 2010 and 2011, respectively.

SHARE OPTION SCHEME

In order to provide incentives and rewards to senior management and employees who contributed to and will retain to be important to the success of the Group's operations, the Company granted 978,532 share options to 109 senior management and employees under the Share Option Scheme on 9 June 2011.

REMUNERATION POLICIES

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

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.16 per share, representing approximately 40% of the Group's profit available for distribution for the period ended 30 June 2011. The interim dividend will be paid on or about 23 September 2011 to the shareholders whose names appear on the register of members of the Company on 8 September 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions contained in the Code on Corporate Governance Practices (the “CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Company has complied with such code provisions throughout the six months ended 30 June 2011 except for the deviation from code provision A.2.1 as disclosed below.

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and all the Directors have confirmed that they have complied with the Company Code and the Model Code during the six months ended 30 June 2011.

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

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

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

AUDIT COMMITTEE

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

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

The Audit Committee has held meetings to discuss the auditing, internal controls and financial reporting matters including the review of the interim results and the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2011.

REMUNERATION COMMITTEE

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

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

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

NOMINATION COMMITTEE

The Nomination Committee was established on 25 November 2010. The chairman is Mr. Luo Fei, an executive Director, and the two other members are Dr. Ngai Wai Fung and Mr. Tan Wee Seng, both of whom are independent non-executive Directors.

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

REVIEW OF INTERIM FINANCIAL STATEMENTS

Disclosure of financial information in this report complies with Appendix 16 of the Listing Rules. The Audit Committee of the Company has reviewed the interim results and the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2011.

The external auditor has reviewed the interim financial information for the six months ended 30 June 2011 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

Apart from the exercise of the over-allotment options on 11 January 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2011.

SHARE OPTION SCHEMES

The Company has adopted two share option schemes, pursuant to which the Company is entitled to grant options prior to and after the listing of the Company on the main board (the “Main Board”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The details of both share option schemes are as follows:

Share Option Scheme

A share option scheme (the “Share Option Scheme”) was conditionally approved by resolutions of the shareholders of the Company on 25 November 2010 and the terms of such Share Option Scheme are disclosed in the Prospectus.

On 9 June 2011 (the “Date of Grant”), 978,532 share options (the “Share Options”) to subscribe for the ordinary shares of HK\$0.01 each in the share capital of the Company (the “Shares”) were granted to grantees (the “Grantees”) under the Share Option Scheme.

Each Share Option shall entitle the holder of the Share Option to subscribe for one Share upon exercise of such Share Option at an exercise price of HK\$15.312 per Share. The closing price of Shares of the Company immediately before the Date of Grant was HK\$15.200 per Share. A movement of valid grantees and options under the Share Option Scheme during the six months ended 30 June 2011 by category of grantees is set out below:

Category of grantees	Number of grantees		
	Outstanding as at 1 January 2011	Granted on 9 June 2011	Outstanding as at 30 June 2011
Senior management member	—	1	1
Other employees	—	108	108
	—	109	109

Category of grantees	Number of Shares to be issued upon fully exercise of all options granted under the Share Option Scheme		
	Outstanding as at 1 January 2011	Granted on 9 June 2011	Outstanding as at 30 June 2011
Senior management member	—	103,484	103,484
Other employees	—	875,048	875,048
	—	978,532	978,532

SHARE OPTION SCHEMES (Continued)

Share Option Scheme (Continued)

The Share Options granted shall vest in the Grantees in accordance with the timetable below with a 6-year exercise period (for this purpose, the date or each such date on which the Share Options are to vest being hereinafter referred to as a "Vesting Date"):

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

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

Save as disclosed above, no Share Options were granted under the Share Option Scheme and no Share Options granted under the Share Option Scheme were exercised, lapsed or cancelled during the six months ended 30 June 2011.

Pre-IPO Share Option Scheme

1. Summary of terms

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

- (a) the subscription price per Share for all options granted under the Pre-IPO Share Option Scheme is HK\$2.53;
- (b) the total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 11,150,249 Shares, and no further options will be granted under the Pre-IPO Share Option Scheme on or after 17 December 2010, the date of the listing of the Shares of the Company on the Main Board of the Stock Exchange (the "Listing Date");
- (c) all options granted under the Pre-IPO Share Option Scheme can only be exercised in the following manner:

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

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

All the options under the Pre-IPO Share Option Scheme were granted on 16 July 2010 at a consideration of HK\$1.00 paid by each grantee.

SHARE OPTION SCHEMES (Continued)

Pre-IPO Share Option Scheme (Continued)

2. Outstanding Options Granted

A total of 11,150,249 Shares were granted to 329 participants by the Company on 16 July 2010 under the Pre-IPO Share Option Scheme, including 3 executive Directors and 14 members of the senior management of the Group. As of 30 June 2011, 21 employees were no longer eligible for options due to failure to meet performance target or retirement, and 343,781 Shares of options became invalid. A movement of valid grantees and options under the Pre-IPO Share Option Scheme during the six months ended 30 June 2011 by category of grantees is set out below:

Category of grantees	Number of grantees		
	Outstanding as at 1 January 2011	Ineligible during 6 months ended 30 June 2011	Outstanding as at 30 June 2011
Executive Directors	3		3
Senior management members	14		14
Other employees	293	(21)	272
Business partner	1		1
	311	(21)	290

Category of grantees	Number of Shares to be issued upon fully exercise of all options granted under the Pre-IPO Share Option Scheme		
	Outstanding as at 1 January 2011	Forfeited during 6 months ended 30 June 2011	Outstanding as at 30 June 2011
Executive Directors	1,407,592		1,407,592
Senior management members	2,655,665		2,655,665
Other employees	6,749,250	(343,781)	6,405,469
Business partner	100,000		100,000
	10,912,507	(343,781)	10,568,726

Details of the share options granted to the three executive Directors by the Company under the Pre-IPO Share Option Scheme are set out on page 21 of the Interim Report.

Save as disclosed above, no options were granted under the Pre-IPO Share Option Scheme and no options granted under the Pre-IPO Share Option Scheme were exercised, lapsed or cancelled during the six months ended 30 June 2011.

PARTIAL EXERCISE OF THE OVER-ALLOTMENT OPTION

The Company announced that the over-allotment option was partially exercised by the sole bookrunner, the Hongkong and Shanghai Banking Corporation Limited, on behalf of the international underwriters on 7 January 2011 in respect of 2,294,000 Shares, representing approximately 1.5% of the total number of Shares initially available under the global offering before any exercise of the over-allotment option, to cover over-allocations in the international offer. The 2,294,000 Shares were allotted and issued by the Company at HK\$11.00 per Share (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%), being the Offer Price per Offer Share under the global offering.

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

As at 30 June 2011, the interests and short positions of the Directors and the chief executives of the Company in the share capital, underlying shares and debentures of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are set out below:

Name of Director	Capacity/ Nature of interest	Long/Short position	Underlying shares (under equity derivatives of the Company) <i>(Note 1)</i>	Approximate percentage of interest in the Company <i>(Note 2)</i>
Luo Fei	Beneficial owner	Long position	621,239	0.1031%
Zhang Wenhui	Beneficial owner	Long position	404,795	0.0672%
Kong Qingjuan	Beneficial owner	Long position	381,558	0.0634%

Notes:

- These are the share options granted by the Company under the Pre-IPO Share Option Scheme. Details of the Company's Pre-IPO Share Option Scheme are set out above in this report.
- The over-allotment option was partially exercised on 7 January 2011, resulting in an increase of the total number of the issued Shares of the Company from 600,000,000 to 602,294,000.

Save as disclosed herein, none of the Directors and chief executives of the Company, or any of their spouses, or children under eighteen years of age, had any interests or short positions in the Shares, underlying shares and debentures of the Company, recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2011.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Company, as at 30 June 2011, the following person, other than any Director or the chief executive of the Company, was the substantial shareholder (within the meaning of the Listing Rules) of the Company and had the following interests and short positions in the Shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of interest	Long/Short position	Number of Shares	Approximate percentage of shareholding <i>(Note 1)</i>
Biostime Pharmaceuticals (China) Limited <i>(Note 2)</i>	Beneficial owner	Long position	450,000,000	74.7%

Notes:

1. The over-allotment option was partially exercised on 7 January 2011, resulting in an increase of the total number of the issued Shares of the Company from 600,000,000 to 602,294,000.
2. Biostime Pharmaceuticals (China) Limited is owned as to 28.15% by Mr. Luo Fei, 26.00% by Mr. Wu Xiong, 19.55% by Mr. Luo Yun, 11.90% by Mr. Chen Fufang, 10.00% by Dr. Zhang Wenhui and 4.40% by Ms. Kong Qingjuan.

Save as mentioned above, as at 30 June 2011, there was no other person (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CHANGES IN INFORMATION OF DIRECTOR

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Director of the Company subsequent to the date of the 2010 Annual Report are set out below:

Dr. Ngai Wai Fung (魏偉峰), an independent non-executive Director of the Company, was appointed as the chief executive officer of SWCS Corporate Services Limited in May 2011 and was also appointed as an independent non-executive director and chairman of the audit committee of LDK Solar Co., Ltd. in July 2011, the shares of which are listed on the New York Stock Exchange (Stock Code: LDK). He ceased to be an independent non-executive director and a member of the audit committee of Franshion Properties (China) Limited (方興地產(中國)有限公司) in June 2011. In addition, Dr. Ngai received a doctorate in Economics (Finance) from Shanghai University of Finance and Economics (上海財經大學) in June 2011.

Save for the information disclosed above, there is no other information related to Dr. Ngai and all other Directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK\$0.16 per share, representing approximately 40% of the Group's profit available for distribution for the period ended 30 June 2011. The interim dividend will be paid on or about 23 September 2011 to the shareholders whose names appear on the register of members of the Company on 8 September 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 September 2011 to 8 September 2011, both days inclusive, during which period no transfer of Shares can be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 6 September 2011.



To the board of directors of Biostime International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Biostime International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 25 to 45, which comprise the interim condensed consolidated statement of financial position as at 30 June 2011 and the related interim condensed consolidated statement of comprehensive income, changes in equity and cash flows for the six months then ended and explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board (the “IASB”).

Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Ernst & Young

Certified Public Accountants

18th Floor

Two International Finance Centre

8 Finance Street, Central

Hong Kong

23 August 2011

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2011

	Notes	Six months ended 30 June	
		2011 RMB'000 (Unaudited)	2010 RMB'000 (Audited)
REVENUE	5	867,550	496,140
Cost of sales		(277,856)	(143,700)
Gross profit		589,694	352,440
Other income and gains	5	29,736	4,549
Selling and distribution costs		(330,045)	(190,319)
Administrative expenses		(32,813)	(28,361)
Other expenses		(6,879)	(2,514)
PROFIT BEFORE TAX	6	249,693	135,795
Income tax expense	7	(54,067)	(19,042)
PROFIT FOR THE PERIOD		195,626	116,753
Profit attributable to owners of the parent		195,626	116,753
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		(30,406)	5
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		165,220	116,758
Total comprehensive income attributable to owners of the parent		165,220	116,758
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT	9		
Basic		RMB0.32	RMB0.26
Diluted		RMB0.32	RMB0.26

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

	Notes	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	41,106	31,280
Intangible assets		1,393	1,168
Deposits	13	6,780	1,640
Deferred tax assets	17	27,943	5,769
Total non-current assets		77,222	39,857
CURRENT ASSETS			
Inventories	11	160,616	106,098
Trade and bills receivables	12	7,988	5,211
Prepayments, deposits and other receivables	13	40,201	22,622
Cash and cash equivalents	14	1,785,331	1,728,211
Total current assets		1,994,136	1,862,142
CURRENT LIABILITIES			
Trade payables	15	78,910	65,833
Other payables and accruals	16	184,610	142,344
Tax payable		46,930	28,170
Total current liabilities		310,450	236,347
NET CURRENT ASSETS		1,683,686	1,625,795
TOTAL ASSETS LESS CURRENT LIABILITIES		1,760,908	1,665,652
NON-CURRENT LIABILITIES			
Deferred tax liabilities	17	13,567	5,760
Net assets		1,747,341	1,659,892
EQUITY			
Equity attributable to owners of the parent			
Issued capital	19	5,161	5,141
Reserves		1,663,123	1,553,354
Proposed dividend	8	79,057	101,397
Total equity		1,747,341	1,659,892

Luo Fei
Director

Kong Qingjuan
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2011

	Attributable to owners of the parent									
	Issued capital	Share Premium	Contributed surplus ⁽¹⁾	Capital reserve ⁽²⁾	Share option reserve	Statutory reserve ⁽³⁾	Exchange fluctuation reserve	Retained profits	Proposed dividend	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	5,141	1,266,718	26,992	95	2,649	21,177	(8,165)	243,888	101,397	1,659,892
Total comprehensive income for the period	-	-	-	-	-	-	(30,406)	195,626	-	165,220
Issuance of new shares upon exercise of the over-allotment options (note 19)	20	21,467	-	-	-	-	-	-	-	21,487
Share issue expenses	-	(539)	-	-	-	-	-	-	-	(539)
Equity-settled share option arrangements (note 20)	-	-	-	-	2,678	-	-	-	-	2,678
Interim 2011 dividend (note 8)	-	(79,057)	-	-	-	-	-	-	79,057	-
Final 2010 dividend declared	-	-	-	-	-	-	-	-	(101,397)	(101,397)
At 30 June 2011 (Unaudited)	5,161	1,208,589*	26,992*	95*	5,327*	21,177*	(38,571)*	439,514*	79,057	1,747,341
At 1 January 2010	-	-	24,982	251	-	14,940	(14)	89,256	41,142	170,557
Total comprehensive income for the period	-	-	-	-	-	-	5	116,753	-	116,758
Final dividend declared	-	-	-	-	-	-	-	-	(41,142)	(41,142)
Contribution from the owner	-	-	5,797	-	-	-	-	-	-	5,797
At 30 June 2010 (Audited)	-	-	30,779	251	-	14,940	(9)	206,009	-	251,970

* These reserve accounts comprise the consolidated reserves of RMB1,663,123,000 in the interim condensed consolidated statement of financial position as at 30 June 2011.

Notes:

- (1) The contributed surplus of the Group represents the difference between the nominal value of shares of the subsidiaries acquired pursuant to the group reorganisation (the "Reorganisation"), and the nominal value of the Company's shares issued and cash consideration paid in exchange therefor.
- (2) On 6 January 2009, Biostime Pharmaceuticals (China) Limited ("Biostime Pharmaceuticals"), the ultimate holding company of the Group, acquired an additional 1% equity interest in Biostime (Guangzhou) Health Products Limited ("Biostime Health") from Biostime SAS at a consideration of US\$21,000 (equivalent to approximately RMB144,000). Following the completion of the acquisition of the additional equity interest in Biostime Health, Biostime Health became a wholly-owned subsidiary of the Group. The capital reserve represents 1% equity in Biostime Health contributed by Biostime Pharmaceuticals.
- (3) In accordance with the Company Law of the People's Republic of China (the "PRC"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), determined in accordance with generally accepted accounting principles in the PRC, to the statutory reserve until the balance of the reserve fund reaches 50% of the entity's registered capital. The statutory reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of registered capital.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Net cash flows from operating activities	185,741	143,030
Net cash flows used in investing activities	(8,426)	(6,798)
Net cash flows used in financing activities	(89,789)	(24,703)
NET INCREASE IN CASH AND CASH EQUIVALENTS	87,526	111,529
Cash and cash equivalents at beginning of period	1,728,211	133,795
Effect of exchange rate changes, net	(30,406)	5
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,785,331	245,329

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 30 April 2010. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Group is principally engaged in the manufacture and sale of premium pediatric nutritional and baby care products.

In the opinion of the directors of the Company, the holding company and the ultimate holding company of the Company is Biostime Pharmaceuticals, a limited liability company incorporated in the British Virgin Islands.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2011 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and IAS 34 "Interim Financial Reporting" issued by the IASB. These unaudited interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

These unaudited interim condensed consolidated financial statements do not include all information and disclosures required in the Group's annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2010.

The basis of preparation and accounting policies used in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2010, except for the adoption of new standards and interpretations as disclosed in note 3.1 below.

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s unaudited interim condensed consolidated financial statements.

IFRS 1 Amendment	<i>Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards — Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i>
IAS 24 (Revised)	<i>Related Party Disclosures</i>
IAS 32 Amendment	<i>Amendment to IAS 32 Financial Instruments: Presentation — Classification of Rights Issues</i>
IFRIC 14 Amendments	<i>Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement</i>
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
IFRSs (Amendments)	<i>Improvements to IFRSs 2010</i>

The adoption of these new and revised IFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

3.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

IFRS 1 Amendments	<i>Amendments to IFRS 1 First-time Adoption of IFRSs — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ¹
IFRS 7 Amendments	<i>Amendments to IFRS 7 Financial Instruments: Disclosures — Transfers of Financial Assets</i> ¹
IFRS 9	<i>Financial Instruments</i> ⁴
IFRS 10	<i>Consolidated Financial Statements</i> ⁴
IFRS 11	<i>Joint Arrangements</i> ⁴
IFRS 12	<i>Disclosure of Interests in Other Entities</i> ⁴
IFRS 13	<i>Fair Value Measurement</i> ⁴
IAS 1 Amendments	<i>Presentation of items of Other Comprehensive Income</i> ³
IAS 12 Amendments	<i>Amendments to IAS 12 Income Taxes — Deferred Tax: Recovery of Underlying Assets</i> ²
IAS 19 Amendments	<i>Employee Benefits</i> ⁴
IAS 27 (Revised)	<i>Separate Financial Statements</i> ⁴
IAS 28 (Revised)	<i>Investments in Associates and Joint Ventures</i> ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application, but is not yet in a position to state whether these new and revised IFRSs will have a significant impact on the Group’s results of operations and financial position.

4. OPERATING SEGMENT INFORMATION

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

- (a) Probiotic supplements segment comprises the production of probiotic supplements in the form of sachet, capsules and tablets for infants, children and expectant mothers;
- (b) Infant formulas segment comprises the production of infant formulas for children under three years old and milk formulas for expectant and nursing mothers;
- (c) Dried baby food products segment comprises the production of dried baby food products made from natural foods, such as meat, seafood, fruit and vegetables, for infants and young children; and
- (d) Baby care products segment comprises the production of baby care products for infants and children, including baby diapers and toiletry kits as well as personal care products for nursing mothers, such as nursing pads.

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

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

During the six months ended 30 June 2011 and 2010, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

4. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2011 (Unaudited)	Probiotic supplements RMB'000	Infant formulas RMB'000	Dried baby food products RMB'000	Baby care products RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue:						
Sales to external customers	159,296	636,550	53,631	18,073	—	867,550
Segment results	127,066	424,266	32,058	6,304	—	589,694
<i>Reconciliations:</i>						
Interest income						7,392
Other income and unallocated gains						22,344
Corporate and other unallocated expenses						(369,737)
Profit before tax						249,693
Other segment information:						
Depreciation and amortisation	1,502	142	424	12	3,263	5,343
Write-down of inventories to net realisable value	17	6	122	331	—	476
Capital expenditure*	248	543	90	—	14,617	15,498
Six months ended 30 June 2010 (Audited)	Probiotic supplements RMB'000	Infant formulas RMB'000	Dried baby food products RMB'000	Baby care products RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenue:						
Sales to external customers	138,492	287,864	42,686	27,098	—	496,140
Segment results	110,336	196,867	29,616	15,621	—	352,440
<i>Reconciliations:</i>						
Interest income						853
Other income and unallocated gains						3,696
Corporate and other unallocated expenses						(221,194)
Profit before tax						135,795
Other segment information:						
Depreciation and amortisation	1,251	62	327	5	1,499	3,144
Write-back of impairment of trade receivables	(43)	—	—	—	—	(43)
Write-down of inventories to net realisable value	—	—	286	—	—	286
Capital expenditure*	57	85	17	16	5,544	5,719

* Capital expenditure consists of additions to property, plant and equipment and computer software.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts (net of value-added tax) during the six months ended 30 June 2011 and 2010.

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Revenue		
Sale of goods	867,550	496,140
Other income and gains		
Bank interest income	7,392	853
Foreign exchange gain	21,169	3,117
Others	1,175	579
	29,736	4,549

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cost of inventories sold	277,380	143,414
Depreciation	5,302	3,012
Amortisation of intangible assets	41	132
Research and development costs*	5,165	1,619
(Gain)/loss on disposal of items of property, plant and equipment	(85)	6
Minimum lease payments under operating leases in respect of buildings	8,683	3,657
Auditors' remuneration	1,400	1,491
Employee benefit expenses (including directors' remuneration (note 24(b))):		
Wages and salaries	104,537	41,849
Pension scheme contributions (defined contribution schemes)	13,564	5,511
Staff welfare and other expenses	4,915	2,644
Equity-settled share option expense	2,678	—
	125,694	50,004
Write-back of impairment of trade receivables*	—	(43)
Write-down of inventories to net realisable value#	476	286

* Included in "Other expenses" in the interim condensed consolidated statement of comprehensive income.

Included in "Cost of sales" in the interim condensed consolidated statement of comprehensive income.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

7. INCOME TAX

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Current — PRC		
Charge for the period	68,434	24,990
Deferred (note 17)	(14,367)	(5,948)
Total tax charge for the period	54,067	19,042

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2011 and 2010.

PRC enterprise income tax ("EIT")

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

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

France corporate income tax

No provision for France corporate income tax has been made as the Group did not generate any assessable profits arising in France during the six months ended 30 June 2011 and 2010.

8. DIVIDENDS

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Interim — HK\$0.16 (2010: Nil) per ordinary share	79,057	—

On 23 August 2011, the board of directors has declared an interim dividend of HK\$0.16 per share (2010: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to owners of the parent, and the weighted average number of ordinary shares of 602,166,556 (six months ended 30 June 2010: 450,000,000) in issue during the period as if the Reorganisation had been effective since 1 January 2010.

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Earnings		
Profit attributable to owners of the parent used in the basic earnings per share calculation	195,626	116,753
Number of Shares		
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the six months used in the basic earnings per share calculation	602,166,556	450,000,000
Effect of dilution — weighted average number of ordinary shares:		
Share options	8,419,327	—
	610,585,883	450,000,000

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 30 June 2010 includes the pro forma issued share capital of the Company of 450,000,000 shares, which comprised the following:

- (i) 1 share issued to Biostime Pharmaceuticals; and
- (ii) 449,999,999 shares issued to Biostime Pharmaceuticals as result of Reorganisation.

The weighted average number of shares used to calculate the basic earnings per share for the six months ended 30 June 2011 includes 150,000,000 shares issued upon the listing of the Company's shares on the Stock Exchange on 17 December 2010 (the "Listing Date"), the weighted average of 2,294,000 shares issued on 11 January 2011 pursuant to the exercise of over-allotment options (namely 2,166,556 shares) and the above-mentioned 450,000,000 ordinary shares.

The calculation of the diluted earnings per share amount for the six months ended 30 June 2011 is based on the profit for the period attributable to owners of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the six months ended 30 June 2011, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment had been made to the basic earnings per share amount presented for the six months ended 30 June 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during that period.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired property, plant and equipment with an aggregate cost of RMB15,232,000 (six months ended 30 June 2010: RMB5,519,000). During that period, depreciation of RMB5,302,000 (six months ended 30 June 2010: RMB3,012,000) was charged and property, plant and equipment with an aggregate carrying amount of RMB104,000 (six months ended 30 June 2010: RMB13,000) was disposed of by the Group.

11. INVENTORIES

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Raw materials	114,679	82,250
Work in progress	1,496	6,483
Finished goods	44,441	17,365
	160,616	106,098

12. TRADE AND BILLS RECEIVABLES

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Trade receivables	446	549
Bills receivable	7,542	4,662
	7,988	5,211

Advance payment is normally required from customers of the Group, except in very limited situation for credit sales. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Trade receivables are unsecured and non-interest-bearing.

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

12. TRADE AND BILLS RECEIVABLES (Continued)

An aged analysis of the trade and bills receivables as at 30 June 2011, based on the invoice date, is as follows:

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Within 1 month	1,773	1,075
2 to 3 months	3,199	2,503
Over 3 months	3,016	1,633
	7,988	5,211

The above aged analysis included bills receivable balance of RMB7,542,000 (31 December 2010: RMB4,662,000).

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Non-current portion

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Deposits paid for the purchase of property, plant and equipment	2,444	1,640
Deposits paid for operating leases	4,336	—
	6,780	1,640

Current portion

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Prepayments	25,241	9,547
Deposits	996	1,716
Other receivables	13,964	11,359
	40,201	22,622

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

14. CASH AND CASH EQUIVALENTS

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Cash and cash equivalents	1,785,331	1,728,211
Denominated in RMB	1,784,237	697,931
Denominated in other currencies	1,094	1,030,280
	1,785,331	1,728,211

As at 30 June 2011, cash and bank balances denominated in RMB of the subsidiaries in Mainland China amounted to RMB511,281,000 (31 December 2010: RMB358,516,000). The RMB of the subsidiaries in Mainland China is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

15. TRADE PAYABLES

An aged analysis of the trade payables as at 30 June 2011, based on the invoice date, is as follows:

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Within 1 month	72,744	40,090
2 to 3 months	6,008	23,165
Over 3 months	158	2,578
	78,910	65,833

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

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16. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Advances from customers	14,257	9,017
Salaries and welfare payables	42,664	14,452
Accruals	39,943	47,102
Other tax payables	31,340	58,067
Deferred income (note 18)	47,270	6,603
Other payables	9,136	7,103
	184,610	142,344

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

17. DEFERRED TAX

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

Deferred tax assets

	Provision for impairment of assets RMB'000	Future deductible expense RMB'000	Unrealised profit arising from intra-group transactions RMB'000	Accrued liabilities and deferred income RMB'000	Total RMB'000
At 1 January 2011	105	376	1,438	3,850	5,769
Credited to the interim condensed consolidated statement of comprehensive income for the period (note 7)	30	7,082	4,048	11,014	22,174
At 30 June 2011 (Unaudited)	135	7,458	5,486	14,864	27,943
At 1 January 2010	94	460	1,186	3,856	5,596
Credited/(charged) to the interim condensed consolidated statement of comprehensive income for the period (note 7)	19	(165)	3,913	2,181	5,948
At 30 June 2010 (Audited)	113	295	5,099	6,037	11,544

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

17. DEFERRED TAX (Continued)

Deferred tax liabilities

	Withholding taxes on distributable earnings of subsidiaries in the PRC RMB'000
At 1 January 2011	5,760
Charged to the interim condensed consolidated statement of comprehensive income for the period (note 7)	7,807
At 30 June 2011 (Unaudited)	13,567
At 1 January 2010	—
Charged to the interim condensed consolidated statement of comprehensive income for the period (note 7)	—
At 30 June 2010 (Audited)	—

18. DEFERRED INCOME

	2011 RMB'000 (Unaudited)	2010 RMB'000 (Audited)
Customer loyalty program		
At 1 January	6,603	12,915
Addition	47,270	15,404
Recognised as sales revenue during the period	(6,603)	(8,755)
At 30 June	47,270	19,564

19. SHARE CAPITAL

	As at 30 June 2011 (Unaudited)	As at 31 December 2010 (Audited)
Authorised:		
10,000,000,000 (31 December 2010: 10,000,000,000) ordinary shares of HK\$0.01 each	HK\$100,000,000	HK\$100,000,000
Issued and fully paid:		
602,294,000 (31 December 2010: 600,000,000) ordinary shares of HK\$0.01 each	HK\$6,022,940	HK\$6,000,000
Equivalent to	RMB5,161,000	RMB5,141,000

On 11 January 2011, the Company allotted and issued 2,294,000 ordinary shares of HK\$0.01 each pursuant to the over-allotment options as referred to the Prospectus and offered at a price of HK\$11.00 per share for a total cash consideration, before expenses, of HK\$25,234,000 (equivalent to RMB21,487,000).

20. SHARE OPTION SCHEME

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

Pre-IPO Share Option Scheme

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

- (a) the subscription price per share for all share options granted under the Pre-IPO Share Option Scheme is HK\$2.53;
- (b) the total number of shares which may be issued upon the exercise of all share options granted under the Pre-IPO Share Option Scheme is 11,150,249 shares, and no further share options will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date;
- (c) all share options granted under the Pre-IPO Share Option Scheme can only be exercised in the following manner:

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

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

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

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

The fair value of the share options under the Pre-IPO Share Option Scheme granted was estimated at approximately RMB25,068,000 of which the Group recognised a share option expense of RMB2,586,000 during the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

20. SHARE OPTION SCHEME (Continued)

Pre-IPO Share Option Scheme (Continued)

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

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

At as 30 June 2011, the Company had 10,568,726 share options outstanding under the Pre-IPO Share Option Scheme with 343,781 share options forfeited during the period. The exercise in full of the outstanding share options under the Pre-IPO Share Option Scheme would, under the present capital structure of the Company, result in the issue of 10,568,726 additional ordinary shares of the Company and additional share capital of HK\$106,000 (RMB88,000) and share premium of HK\$26,633,000 (RMB22,149,000) (before issue expenses).

At the date of approval of these interim condensed consolidated financial statements, the Company had 10,484,409 share options outstanding under the Pre-IPO Share Option Scheme, which represented approximately 1.7% of the Company's shares in issue as at that date.

Share Option Scheme

Similar to the Pre-IPO Share Option Scheme, the purpose of the Share Option Scheme is to provide incentives and rewards to senior management and employees who contributed to and will retain to be important to the success of the Group's operations. The principal terms of the Share Option Scheme, approved by a written resolution of the sole shareholder dated 25 November 2010, are as follows:

- (a) the subscription price per share for all share options granted under the Share Option Scheme is HK\$15.312;
- (b) the total number of shares which may be issued upon the exercise of all share options granted under the Share Option Scheme is 978,532 shares;
- (c) all share options granted under the Share Option Scheme can only be exercised in the same manner as that of the Pre-IPO Share Option Scheme;
- (d) the same as the Pre-IPO Share Option Scheme, there is a 6-year exercise period for each share option granted under the Share Option Scheme.

All the share options under the Share Option Scheme were granted on 9 June 2011 at a consideration of HK\$1 paid by each grantee.

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

The fair value of the share options under the Share Option Scheme granted was estimated at approximately RMB5,216,000 of which the Group recognised a share option expense of RMB92,000 during the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

20. SHARE OPTION SCHEME (Continued)

Share Option Scheme (Continued)

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

	First batch	Second batch	Third batch
Dividend yield (%)	2.03	2.03	2.03
Expected volatility (%)	54.89	54.89	54.89
Risk-free interest rate (%)	1.49	1.49	1.49
Expected life of share options (years)	4.03	4.53	5.03

At as 30 June 2011, the Company had 978,532 shares options outstanding under the Share Option Scheme. The exercise in full of the outstanding shares options under the Share Option Scheme would, under the present capital structure of the Company, result in the issue of 978,532 additional ordinary shares of the Company and additional share capital of HK\$10,000 (RMB8,000) and share premium of HK\$14,973,000 (RMB12,452,000) (before issue expenses).

At the date of approval of these interim condensed consolidated financial statements, the Company had 978,532 share options outstanding under the Share Option Scheme, which represented approximately 0.2% of the Company's shares in issue as at that date.

21. CONTINGENT LIABILITIES

As at 30 June 2011, the Group did not have any significant contingent liabilities (31 December 2010: Nil).

22. OPERATING LEASE ARRANGEMENTS

As lessee

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

As at 30 June 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Within one year	27,232	9,290
In the second to fifth years, inclusive	66,505	10,460
After five years	4,184	4,868
	97,921	24,618

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

23. COMMITMENTS

In addition to the operating lease commitments detailed in note 22 above, the Group had the following capital commitments as at 30 June 2011:

	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
Contracted, but not provided for:		
Property, plant and equipment	3,629	—
Intangible assets	288	774
	3,917	774

24. RELATED PARTY BALANCES AND TRANSACTIONS

The Group had the following material transactions with related parties during the period and balances arising from those related party transactions as at 30 June 2011:

(a) Related party transactions

	Notes	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Audited)
Purchases from a company under common control of directors	(i)	—	23
Sales of finished goods to a distributor which is controlled by a brother of a director	(ii)	—	2,459
An indirect jointly-controlled entity of the ultimate holding company:			
— Loans granted	(iii)	—	4,450
— Sales of finished goods	(iv)	—	631
— Sales of raw materials	(v)	—	1,022
— Rental income	(vi)	—	118
— Production services provided	(vii)	55	15
— Sales agency services provided	(viii)	—	63

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

24. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(a) Related party transactions (Continued)

Notes:

- (i) The purchases were conducted in accordance with mutually agreed terms.
- (ii) The sales were conducted in accordance with terms agreed between the Group and its related company, with reference to similar transactions with third party customers.
- (iii) The loans to a related party were unsecured and non-interest-bearing.
- (iv) The finished goods were sold based on mutually agreed terms.
- (v) The raw materials were sold at cost.
- (vi) The rental income was based on mutually agreed terms.
- (vii) The production services were provided based on mutually agreed terms.
- (viii) The sales agency services were provided based on mutually agreed terms.

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2011 RMB'000 (Unaudited)	2010 RMB'000 (Audited)
Fees	378	—
Short-term employees benefits	13,841	6,593
Pension scheme contributions	487	109
Equity-settled share option expense	994	—
Total compensation paid to key management personnel	15,700	6,702

25. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 23 August 2011.



BIOSTIME 合生元

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