Bloomage BioTechnology Corporation Limited

華熙生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00963

09 Interim Report

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Zhao Yan *(Chairman)*
Mr. Guo Jiajun

NON-EXECUTIVE DIRECTOR

Mr. Cheng Bo

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Zhan Lili
Mr. Zhang Fuping
Mr. Qin Bin

COMPANY SECRETARY

Mr. Loong Ping Kwan

AUTHORISED REPRESENTATIVES

Mr. Guo Jiajun
Mr. Loong Ping Kwan

MEMBERS OF AUDIT COMMITTEE

Mr. Qin Bin *(Chairman)*
Ms. Zhan Lili
Mr. Zhang Fuping

MEMBERS OF REMUNERATION COMMITTEE

Ms. Zhan Lili *(Chairman)*
Mr. Zhang Fuping
Mr. Guo Jiajun

MEMBERS OF NOMINATION COMMITTEE

Mr. Zhang Fuping *(Chairman)*
Ms. Zhan Lili
Ms. Zhao Yan

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 678 Tianchen Avenue
Jinan High-tech Development Zone
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Shandong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

COMPLIANCE ADVISER

Cinda International Capital Limited

AUDITORS

KPMG

LEGAL ADVISERS AS TO HONG KONG LAWS

Loong & Yeung

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

00963

COMPANY WEBSITE

www.bloomagebio-tech.com

PRINCIPAL BANKERS

Agricultural Bank of China
Jinan Branch of the Bank of China

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW:

Bloomage BioTechnology Corporation Limited (the "Company"), together with its subsidiaries (collectively, the "Group"), is an investment holding company. Its principal operating subsidiary is a manufacturer of hyaluronic acid ("HA") in the PRC mainly engaged in the manufacture and sale of a diversified portfolio of HA products. HA is a natural substance found in many parts of human bodies and animals. It is typically found in the joints, vitreous humor in the eyes, skin, umbilical cord and rooster combs. The HA products of the Group can generally be classified into four grades according to specifications and usages, including the injection grade such as viscoelastic agent in eye surgeries and injection for the treatment of osteoarthritis; eye drop grade applied in eye care products such as eye drop, eye wash and contact lens care lotion; cosmetic grade applied in cosmetic products such as skin-care products, hair-care products and topical ointment; and food grade applied in cosmetic products such as skin-care products, hair-care products, and healthcare products such as oral health supplement.

BUSINESS REVIEW:

For the six months ended 30 June 2009, the Group achieved satisfactory results. Its turnover amounted to RMB65,091,000, representing an increase of 9.7% as compared with RMB59,358,000 in the corresponding period of 2008. Its gross profits were RMB54,930,000, an increase of 23.0% from RMB44,667,000 in the corresponding period of 2008; and its profit attributable to equity shareholders of the Company for the six months ended 30 June 2009 increased by 29.2% from RMB24,171,000 in the corresponding period of 2008 to RMB31,222,000.

For the first half of 2009, the global economy was experiencing a slowdown in growth. In order to support economic growth, the PRC implemented various measures with a total investment of approximately RMB4 trillion to boost domestic demand and stimulate economic development. The Group took full advantages of the favourable economic environment in the PRC to develop the domestic market and the high-end product market. We further strengthened our brand image, extended sales network and enhanced and consolidated our leading position in the HA sector. Capitalising on our research and development capability and technology advancement, the Group further increased sales amount and improved operating results by introducing more new products.

Brand building and marketing

In 2009, the successful listing of the Group provided us with an extensive development platform for the promotion and marketing of our brand. With the commencement of operation on our second phase of production base of HA, which was newly-constructed in compliance with the FDA requirements, the Group leveraged the recently acquired qualification of production of Sodium Hyaluronate products as a new source of food and the cutting edge technologies in the HA sector to further strengthen our technological edges and leading position in the sector and enhance our brand image in the industry. For the first half of 2009, the Group attracted various domestic and overseas customers to our Company. We have engaged in cooperation or commenced negotiations with numerous world-class cosmetic manufacturers.

In face of the adverse factors amid the global economic recession as well as the development opportunities arising from the economic stimulus package in the PRC, the Group adjusted its operating strategies. While maintaining its foothold in the international market, the Group also made additional efforts to expand the domestic market. In particular, we placed more emphasis on the sales of eye drop grade and injection grade HA products of higher added values to expand the high-end customer base. For the first half of 2009, the Group achieved encouraging results in product sales. Sales of HA amounted to RMB64,688,000, representing an increase of 10.0% as compared with RMB58,781,000 in the corresponding period of 2008. The Group also recorded increase in profit as a result of the substantial growth in the domestic sales of high value-added injection grade HA products and eye drop grade HA products. For the six months ended 30 June 2009, profit attributable to equity shareholders of the Company amounted to RMB31,222,000, representing an increase of 29.2% as compared with RMB24,171,000 in the corresponding period of 2008.

Research and development

In 2009, in order to maximise the economic benefits of HA products, the Group further improved the production technology of HA and achieved satisfactory results. A national patent has been obtained for the "production of concentrated hyaluronic acid and its salts". Our cosmetic grade, food grade and pharmaceutical HA products were included in the first batch of Jinan City's self-innovative products. Technological research and development has always been the key element of the Group's sustainability. While maintaining an advanced technology standard of HA and further improved the quality of its existing products and production revenues, we also fortified our research and development efforts, enhanced our production skills and expanded our product chains. We also reinforced our research and development efforts of our end products and new products and successfully applied and filed for registration of our results. For the first half of 2009, the Group completed the research of production engineering for a soft tissue filler that makes use of cross-linked HA used in medical device and established the relevant ISO13485 quality management system. Preparation is being made for the CE certification. In order to further expand the market, the Group has also engaged in the research and development of another kind of end product of HA, namely HA gel for orthopaedic and ophthalmologic uses.

BUSINESS OUTLOOK:

Looking forward, the Board anticipates that our market will still be full of challenges and opportunities in the second half of 2009. While maintaining stable growth in the market shares of cosmetic grade, eye drop grade and injection grade HA products, the Group will leverage its production qualification of Sodium Hyaluronate as a new source of food and expand the research and development of food grade HA and its applications to further promote the popularity of food grade HA products. Coupled with enhanced promotion, the food grade HA products will become the new source of our sales profit. The Group will expedite the development of high value-added HA end products, and the Group will speed up the application process for relevant production qualification of its HA end products that require more sophisticated HA production technologies with higher selling prices, such as pharmaceutical products (injection grade HA) and HA soft tissue filler used in cosmetic plastic surgery. The Group will also improve relevant marketing efforts and enhance our ability to facilitate sustainable development. The Board believes the Group will maintain stable growth and increase shareholders' return in the second half of the year. Meanwhile, for the benefit of the Group's long term development, the Group will strive to seek new projects and explore development potential in other aspects so as to diversify our development, enhance the Group's integrated competitiveness and improve our operation results as a whole.

FINANCIAL REVIEW

Turnover

The Group's turnover for the six months ended 30 June 2009 was RMB65.091 million, representing an increase of 9.7% or RMB5.733 million as compared to the corresponding period of 2008. Despite a decrease in total sales volume, the Group's turnover increased conversely. It was mainly attributable to the market expansion in injection grade and eye drop grade products with higher gross profit margin.

The breakdown of the Group's turnover by products was as follows:

	Six months ended 30 June			
	2009		2008	
	RMB'000	**%**	*RMB'000*	%
Injection	**14,269**	**21.9**	5,724	9.6
Eye drop	**12,046**	**18.5**	5,870	9.9
Cosmetic	**32,216**	**49.5**	35,362	59.6
Food	**6,157**	**9.5**	11,825	19.9
Other	**403**	**0.6**	577	1.0

For the six months ended 30 June 2009, the substantial increase in turnover of injection grade and eye drop grade products as compared to the corresponding period of 2008 was due to the market expansion of products with higher profit margin. The decrease in turnover of cosmetic grade, food grade and other products was due to the decrease in sales volume of these products under the impact of the market.

Cost of sales

Cost of sales for the six months ended 30 June 2009 was approximately RMB10.161 million, representing a decrease of approximately 30.8% as compared to approximately RMB14.691 million for the corresponding period of 2008. The decrease was mainly attributable to the increase in the sales proportion of injection grade and eye drop grade products with higher gross profit margin and the decrease in total sales volume.

Gross profit margin

The Group's gross profit margin for the six months ended 30 June 2009 was approximately 84.4%, representing an increase of approximately 9.1% as compared to approximately 75.3% for the corresponding period of 2008. The increase was mainly attributable to the increase in the sales volume of products with higher profit margin.

Other revenue

Other revenue of the Group was approximately RMB0.915 million for the six months ended 30 June 2009, representing a decrease of about 68.3% from approximately RMB2.886 million for the corresponding period of 2008. The decrease in other revenue was mainly attributable to the decrease in the government grants received compared to the corresponding period last year.

Distribution costs

The Group's distribution costs for the six months ended 30 June 2009 were approximately RMB4.810 million, representing a decrease of about 12.2% from approximately RMB5.478 million for the corresponding period of 2008. The decrease was mainly due to the decrease of export sales commission, transport charges and insurance fee as a result of the decrease in export sales volume as compared to that for the corresponding period of 2008.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2009 were approximately RMB8.716 million, representing an increase of about 43.0% from approximately RMB6.095 million for the corresponding period of 2008. The increase in administrative expenses was mainly due to the increase in (i) the staff salaries and welfare resulted from the recruitment of additional staff; (ii) research and development cost of products; and (iii) agent service charges.

Other operating expenses

The Group's other operating expenses for the six months ended 30 June 2009 were approximately RMB0.111 million, representing a decrease of about 86.3% from approximately RMB0.809 million for the corresponding period of 2008. The decrease in other operating expenses was mainly attributable to the decrease in the exchange loss and bank handling fees.

Finance costs

The Group's finance costs for the six months ended 30 June 2009 were approximately RMB4.625 million, representing a decrease of about 8.0% from approximately RMB5.025 million for the corresponding period of 2008. The decrease in finance costs was mainly attributable to the decrease in bank borrowings.

Profit for the period

The Group's profit for the six months ended 30 June 2009 was approximately RMB31.222 million, representing an increase of about 29.2% from approximately RMB24.171 million for the corresponding period of 2008.

Liquidity and Financial Resources

As at 30 June 2009, the Group had current assets of approximately RMB120.116 million (31 December 2008: RMB97.488 million) and current liabilities of approximately RMB37.163 million (31 December 2008: RMB42.716 million). The current ratio of the Group as at 30 June 2009 was approximately 323.2% (31 December 2008: 228.2%). The increase in current ratio was due to the increase in turnover for the first half of 2009 as compared to that for the corresponding period of 2008.

As at 30 June 2009, the Group had cash and cash equivalents of approximately RMB75.655 million (31 December 2008: RMB71.634 million) and total liabilities of approximately RMB85.198 million (31 December 2008: RMB87.513 million), of which RMB10 million (31 December 2008: RMB10 million) was short-term bank borrowings. All of the Group's bank borrowings were subject to fixed interest rates and were denominated in RMB.

The Group's gearing ratio (calculated by dividing total liabilities by total assets) as at 30 June 2009 was 36.2% (31 December 2008: 40.7%).

Net cash generated from operating activities for the six months ended 30 June 2009 was approximately RMB19.819 million (six months ended 30 June 2008: RMB18.424 million).

Net cash outflow to investing activities for the six months ended 30 June 2009 was approximately RMB6.989 million (six months ended 30 June 2008: RMB15.865 million) after the offset between the capital expenditure of approximately RMB7.520 million (six months ended 30 June 2008: RMB15.979 million) in enhancement of production facilities in various divisions of the Group and the income generated from the disposal of fixed assets of approximately RMB0.531 million (six months ended 30 June 2008: RMB0.114 million).

Net cash outflow to financing activities for the six months ended 30 June 2009 was approximately RMB8.802 million, representing the payment of dividends to equity shareholders. Net cash outflow to financing activities for the six months ended 30 June 2008 was approximately RMB19.351 million, representing the net increase of the bank borrowings of RMB11.0 million and the payment of dividend prior to the reorganisation of the Group before the listing of the Company of approximately RMB30.351 million.

The Board is of the opinion that the Group is in a strong and healthy financial position and has sufficient resources to support its operations and meet its foreseeable capital expenditures.

Exchange Risk Exposure and Contingent Liabilities

The Group's sales were principally made in RMB and US Dollars, with the majority of which denominated in RMB. Although the Group may be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. The Group has not adopted formal hedging policies and no instruments have been applied for foreign currency hedging purposes during the period under review.

As at 30 June 2009, the Group had no contingent liabilities.

Capital Commitment

As at 30 June 2009, the capital commitment of Group was approximately RMB11.94 million (31 December 2008: RMB12.32 million).

Employee information

As at 30 June 2009, the Group had 211 employees (31 December 2008: 206), and the majority of whom were stationed in the PRC. Total remuneration for the six months ended 30 June 2009 amounted to RMB7.436 million (six months ended 30 June 2008: RMB6.693 million). The Group adopts a competitive remuneration package for its employees. Promotion and salary increment are assessed based on a performance related basis. Share options may also be granted to staff with reference to the individual's performance.

Charge on assets

As at 30 June 2009, the Group's buildings and land use right with an aggregate book value of approximately RMB35.075 million (31 December 2008: RMB35.786 million) were pledged to secure banking facilities granted to the Group.

Material acquisitions and disposal of subsidiaries and associated companies

On 28 April 2009, Tactful World Limited ("Tactful"), an indirect wholly-owned subsidiary of the Company, entered into a capital increase agreement with Shandong Freda Bio-chemicals Co., Ltd. ("Freda Biochem") and Shandong Freda Pharmaceutical Group Company Limited ("Freda Pharmaceutical Group"), pursuant to which (i) the registered capital of Freda Biochem, a non wholly-owned subsidiary of the Company, will be increased from RMB58,800,000 (approximately HK$64,680,000) to RMB88,800,000 (approximately HK$97,680,000); and (ii) the total investment amount of Freda Biochem will be increased from RMB80,000,000 (approximately HK$88,000,000) to RMB180,000,000 (approximately HK$198,000,000). Tactful solely contributed the full amount of the increase in registered capital.

Upon completion of the increase in registered capital, the equity interest of Tactful in Freda Biochem was increased from 91.5% to 94.37% and the equity interest of Freda Pharmaceutical Group in Freda Biochem was decreased from 8.5% to 5.63%. The increase in registered capital represented an injection of the net proceeds from the share offer of the Company to Freda Biochem to implement the future plans of the Group. Details of the capital increase agreement are set out in the announcement of the Company dated 28 April 2009.

Saved as disclosed, during the six months ended 30 June 2009, there was no material acquisition and disposal of subsidiaries and associated companies by the Group.

OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2009, the interests and short positions of the Directors and/or chief executive of the Company in any shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which require notification pursuant to Divisions 7 and 8 of Part XV of the SFO, or which are required, pursuant to section 352 of the Part XV of the SFO, to be entered in the register kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(i) Interests and short positions in shares

Name of Director	**Nature of interest**	**Number of Shares held**	**Percentage of issued share capital of the Company**
Ms. Zhao Yan	Interest of a controlled corporation *(Note 2)*	182,520,000 (L) *(Note 1)*	58.5%
	Interest of a controlled corporation *(Note 3)*	11,700,000 (L)	3.75%
Mr. Cheng Bo	Interest of a controlled corporation *(Note 4)*	28,080,000 (L)	9%

Notes:

(1) The letter "L" denotes a long position in the Shares.

(2) The 182,520,000 Shares are held by AFI, which is wholly-owned by Ms. Zhao Yan. Therefore, Ms. Zhao is deemed, or taken to be, interested in all the Shares which are beneficially owned by AFI for the purposes of the SFO.

(3) The 11,700,000 Shares are held by Forever Shining, which is beneficially owned by five employees of the Group, namely Ms. Liu Aihua, Mr. Guo Xueping, Mr. Wang Chunxi, Ms. Zhao Jing and Ms. Hu Huaihong. The five employees have irrevocably appointed Ms. Zhao as the sole director of Forever Shining, and from the date on which Forever Shining acquired the shares of the Company and up to the expiry of a two-year period commencing from the Listing Date, if the relevant employee ceases to be an employee of the Group for any reason, Ms. Zhao has the right to request the relevant employee to transfer to her the shares the relevant employee held in Forever Shining at the same price paid by the relevant employee for acquiring his/her proportional interest in the shares of the Company. Therefore, Ms. Zhao is deemed, or taken to be, interested in the Shares held by Forever Shining.

(4) The 28,080,000 Shares are held by Newgrand, which is wholly-owned by Mr. Cheng Bo. Therefore, Mr. Cheng is deemed, or taken to be, interested in all the Shares which are beneficially owned by Newgrand for the purposes of the SFO.

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Nature of associated corporation	Capacity	Number of securities	Approximate percentage of shareholding
Ms. Zhao Yan	AFI	Beneficial owner	50,000 ordinary shares	100%

Save as disclosed above, as at 30 June 2009, none of the Directors or chief executive of the Company had any interests or short positions 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 would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2009, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Nature of interest	Number of Shares held	Approximate percentage of issued capital of the Company
Substantial shareholders			
AFI *(Note 2)*	Beneficial owner	182,520,000 (L) *(Note 1)*	58.5%
Wang Yi *(Note 3)*	Interest of spouse	194,220,000(L)	62.25%
Others			
Newgrand *(Note 4)*	Beneficial owner	28,080,000 (L)	9%
Zhu Jin Rong *(Note 5)*	Interest of spouse	28,080,000 (L)	9%

Notes:

(1) The letter "L" denotes a long position in the Shares.

(2) AFI is wholly-owned by Ms. Zhao Yan. Ms. Zhao is the sole director of AFI.

(3) Wang Yi is the spouse of Ms. Zhao. Under the SFO, Wang Yi is deemed, or taken to be, interested in all the Shares in which Ms. Zhao is interested.

(4) Newgrand is wholly-owned by Mr. Cheng Bo. Mr. Cheng is the sole director of Newgrand.

(5) Zhu Jin Rong is the spouse of Mr. Cheng. Under the SFO, Zhu Jin Rong is deemed, or taken to be, interested in all the Shares in which Mr. Cheng is interested.

Save as disclosed above, as at 30 June 2009, the Directors of the Company were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred therein.

SHARE OPTION SCHEME

As to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (the "Scheme") on 3 September 2008 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company (the "Shares") to, inter alia, any employees (full-time or part-time), directors, consultants and advisers or any substantial shareholder, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group. The Scheme became unconditional on 3 October 2008 and shall be valid and effective for a period of ten years commencing on 3 September 2008, subject to the early termination provisions contained in the Scheme.

No share option has been granted during the six months ended 30 June 2009.

INTERIM DIVIDEND

The Board does not recommend the declaration or payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2009, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares in October 2008 (the "Share Offer"), less listing expenses, amounted to approximately HK$60 million. As at 30 June 2009, the net proceeds were utilised as follows:

	HK$'000
Constructing the new production line for the manufacture of eye drop grade and injection grade HA products	13,357
Constructing the new production line for the manufacture of finished injection grade HA products which would be used as medical device	0
Improving research and development capability	3,797
Promotion and expansion of the Group's distribution network	2,484
General working capital	3,136

The remaining balance was deposited in banks in the PRC and Hong Kong.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules. During the period under review the Company has complied with the code provision of the Code, save for the exception stated below.

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". This is deviated from the code provision A.2.1.

Ms. Zhao Yan, who acts as the chairman of the Company, is also responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership enabling the Group to operate efficiently.

The Company understands the importance to comply with the code provision A.2.1 and will continue to consider the feasibility to comply. If compliance is determined, appropriate person will be nominated to the different roles of chairman and chief executive officer.

AUDIT COMMITTEE

The Company established the Audit Committee on 3 September 2008 with written terms of reference in compliance with the code provisions of the Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The members of the Audit Committee consist of three independent non-executive Directors, namely Mr. Qin Bin, Ms. Zhan Lili and Mr. Zhang Fuping. Mr. Qin Bin who possesses a professional accounting qualification and relevant accounting experience, is the chairman of the Audit Committee.

NOMINATION COMMITTEE

The Company established a Nomination Committee pursuant to a resolution of the Director passed on 3 September 2008. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of Board succession and ensure that the candidates to be nominated as Directors are experienced, high calibre individuals. The Nomination Committee consists of Ms. Zhao Yan, an executive Director and two independent non-executive Directors, namely Mr. Zhang Fuping and Ms. Zhan Lili. Mr. Zhang Fuping is the chairman of the Nomination Committee.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee pursuant to a resolution of the Directors passed on 3 September 2008 in compliance with the code provisions of the Code. The primary duties of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management. The Remuneration Committee comprises Mr. Guo Jiajun, an executive Director and two independent non-executive Directors, namely Mr. Zhang Fuping and Ms. Zhan Lili. Ms. Zhan Lili is the chairman of the Remuneration Committee.

MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. The Company has also adopted the Model Code for the relevant employees.

Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the Model Code during the period under review. Moreover, no incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2009.

By order of the Board
ZHAO YAN
Chairman

17 September 2009

REVIEW REPORT TO THE BOARD OF DIRECTORS OF BLOOMAGE BIOTECHNOLOGY CORPORATION LIMITED

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 18 to 34, which comprises the consolidated balance sheet of Bloomage BioTechnology Corporation Limited as of 30 June 2009 and the related consolidated statement of comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, "Interim financial reporting", issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim financial reporting".

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Charter Road
Central, Hong Kong
17 September 2009

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

for the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
	Note	***RMB'000***	*RMB'000*
Turnover	5	**65,091**	59,358
Cost of sales		**(10,161)**	(14,691)
Gross profit		**54,930**	44,667
Other revenue	6	**915**	2,886
Distribution costs		**(4,810)**	(5,478)
Administrative expenses		**(8,716)**	(6,095)
Other operating expenses		**(111)**	(809)
Profit from operations		**42,208**	35,171
Finance costs	7(a)	**(4,625)**	(5,025)
Profit before taxation	7	**37,583**	30,146
Income tax	8	**(6,361)**	(5,975)
Profit for the period		**31,222**	24,171
Other comprehensive expenses for the period:			
Exchange differences on translation of financial statements of foreign operations		**(13)**	(18)
Total comprehensive income for the period		**31,209**	24,153
Basic and diluted earnings per share (RMB)	9	**0.10**	0.08

The notes on pages 23 to 34 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 16(a).

CONSOLIDATED BALANCE SHEET (UNAUDITED)

at 30 June 2009

	Note	**At 30 June 2009 RMB'000**	At 31 December 2008 RMB'000
Non-current assets			
Property, plant and equipment, net	10	**102,125**	81,776
Construction in progress		**—**	22,744
Intangible assets		**587**	619
Lease prepayments		**12,260**	12,395
Total non-current assets		**114,972**	117,534
Current assets			
Inventories		**10,092**	7,660
Trade and other receivables	11	**34,369**	18,194
Cash and cash equivalents	12	**75,655**	71,634
Total current assets		**120,116**	97,488
Current liabilities			
Secured bank loan	13	**10,000**	10,000
Trade and other payables	14	**16,198**	23,434
Current portion of preferred shares	15	**6,732**	6,732
Income tax payable		**4,233**	2,550
Total current liabilities		**37,163**	42,716
Net current assets		**82,953**	54,772
Total assets less current liabilities		**197,925**	172,306
Non-current liabilities			
Deferred income		**200**	200
Deferred tax liabilities		**608**	1,601
Preferred shares	15	**47,227**	42,996
Total non-current liabilities		**48,035**	44,797
Net assets		**149,890**	127,509

The notes on pages 23 to 34 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET (UNAUDITED) (continued)

at 30 June 2009

	Note	**At 30 June 2009** *RMB'000*	At 31 December 2008 *RMB'000*
Capital and reserves			
Share capital	16(b)	**2,801**	2,801
Reserves		**147,089**	124,708
Total equity		**149,890**	127,509

Approved and authorised for issue by the board of directors on 17 September 2009.

Zhao Yan
Director

Guo Jiajun
Director

The notes on pages 23 to 34 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six months ended 30 June 2009

		Attributable to equity shareholders of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Translation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2008		400	—	738	(21,966)	—	47,189	26,361
Total comprehensive income for the period		—	—	—	—	(18)	24,171	24,153
Appropriation to statutory reserve		—	—	5,007	—	—	(5,007)	—
Shares issued under reorganisation	16(b)(i)	349	—	—	(349)	—	—	—
Capitalisation of reserve		—	—	—	38,800	—	(38,800)	—
At 30 June 2008		749	—	5,745	16,485	(18)	27,553	50,514
At 1 July 2008		749	—	5,745	16,485	(18)	27,553	50,514
Total comprehensive income for the period		—	—	—	—	355	19,676	20,031
Waiver of amounts due to related parties		—	—	—	4,725	—	—	4,725
Shares issued by placing and public offer	16(b)(iii)	684	67,683	—	—	—	—	68,367
Share issuing expenses	16(b)(iii)	—	(16,128)	—	—	—	—	(16,128)
Capitalisation issue	16(b)(iv)	1,368	(1,368)	—	—	—	—	—
At 31 December 2008		2,801	50,187	5,745	21,210	337	47,229	127,509
At 1 January 2009		2,801	50,187	5,745	21,210	337	47,229	127,509
Total comprehensive income for the period		—	—	—	—	(13)	31,222	31,209
Appropriation to statutory reserve		—	—	5,196	—	—	(5,196)	—
Dividends for year ended 31 December 2008	16(a)	—	—	—	—	—	(8,828)	(8,828)
At 30 June 2009		2,801	50,187	10,941	21,210	324	64,427	149,890

The notes on pages 23 to 34 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

for the six months ended 30 June 2009

		Six months ended 30 June	
		2009	2008
	Note	***RMB'000***	*RMB'000*
Cash generated from operations		**25,835**	25,261
PRC income tax paid		**(5,671)**	(5,965)
Interest received		**59**	84
Interest paid on bank borrowings		**(404)**	(956)
Net cash generated from operating activities		**19,819**	18,424
Net cash used in investing activities		**(6,989)**	(15,865)
Net cash used in financing activities		**(8,802)**	(19,351)
Net increase/(decrease) in cash and cash equivalents		**4,028**	(16,792)
Cash and cash equivalents at 1 January		**71,634**	31,762
Effect of foreign exchange rate changes		**(7)**	(157)
Cash and cash equivalents at 30 June	12	**75,655**	14,813

The notes on pages 23 to 34 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1 GENERAL INFORMATION

Bloomage BioTechnology Corporation Limited (the "Company", and together with its subsidiaries, the "Group") is an investment holding company. Its principal operating subsidiary is established in the People's Republic of China (the "PRC") principally engaging in the manufacture and sale of hyaluronic acid products.

The Company was incorporated in the Cayman Islands on 3 April 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

2 BASIS OF PREPARATION

This interim financial report of the Company has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), including compliance with International Accounting Standard ("IAS") 34, "Interim financial reporting", issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 17 September 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the IASB.

The interim financial report is unaudited, but has been reviewed by KPMG 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. KPMG's independent review report to the Board of Directors is included on page 17.

The financial information relating to the financial year ended 31 December 2008 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2008 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 17 April 2009.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued one new IFRS, a number of amendments to IFRSs and new interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 8, Operating segments
- IAS 1 (revised 2007), Presentation of financial statements
- Amendments to IFRS 7, Financial instruments: Disclosures-improving disclosures about financial instruments
- IAS 23 (revised 2007), Borrowing costs

IFRS 8 has had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. In addition, the amendments to IFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impacts of the remainder of these developments on the interim financial reporting are as follows:

- As a result of the adoption of IAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- Starting from 1 January 2009, the Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the prospective adoption of IAS 23 (revised 2007) in accordance with the transitional provisions of such standard; comparative figures have not been restated. The change in accounting policy had no material impact on assets, profit or earnings per share for the six months ended 30 June 2009.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

4 SEGMENT REPORTING

In accordance with IFRS 8, segment information disclosed in the interim financial report was prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments.

The Group operates in a single business segment, namely the production and sales of bio-chemical products. Accordingly, no business segment analysis is presented.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. The Group's assets and liabilities are almost entirely situated in the PRC and accordingly, no information on segment assets, liabilities and capital expenditure is presented. As a result, the adoption of IFRS 8 makes no impact on presentation of segment information of the Group.

The analysis of the geographical location of the customers of the Group during the period is as follows:

	Six months ended 30 June 2009				
	PRC	**Overseas**			**Consolidated**
		Asia	**Americas**	**Others**	
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Turnover	**46,517**	**11,787**	**4,838**	**1,949**	**65,091**
Segment result	**41,150**	**8,633**	**3,421**	**1,313**	**54,517**
Unallocated income and expenses					**(12,309)**
Profits from operations					**42,208**
Finance costs					**(4,625)**
Income tax					**(6,361)**
Profit for the period					**31,222**

	Six months ended 30 June 2008				
	PRC	Overseas			Consolidated
		Asia	Americas	Others	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	32,144	17,299	7,739	2,176	59,358
Segment result	27,121	10,734	4,905	1,292	44,052
Unallocated income and expenses					(8,881)
Profits from operations					35,171
Finance costs					(5,025)
Income tax					(5,975)
Profit for the period					24,171

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

5 TURNOVER

The principal activities of the Group are the production and sale of bio-chemical products.

Turnover represents the sales value of goods sold, net of value added tax.

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Hyaluronic acid products	**64,688**	58,781
Heparin products	**182**	388
Others	**221**	189
	65,091	59,358

6 OTHER REVENUE

		Six months ended 30 June	
		2009	2008
	Note	***RMB'000***	*RMB'000*
Government grants	(a)	**124**	1,828
Interest income		**59**	84
Processing fee		**—**	817
Rental and related property management service income		**432**	—
Others		**300**	157
		915	2,886

(a) Government grants

The Group received government grants in form of cash from Finance Bureau of Jinan High Technology Industry Development Area in relation to the research and development of hyaluronic acid products (six months ended 30 June 2008: an incentive of RMB730,000 received from National Taxation Bureau of Jinan High Technology Industry Development Area in relation to additional investments in Shandong Freda Bio-chemicals Co., Ltd. ("Freda Biochem") made by Valuerank Holdings Limited ("Valuerank") and Farstar Enterprises Limited ("Farstar") during the years ended 31 December 2005 and 2006; and an assistance of RMB1,098,000 received from Finance Bureau of Shandong Province and other local governments in relation to the research and development of hyaluronic acid products).

There are no unfulfilled conditions and other contingencies attached to the receipt of these government grants. There is no assurance that the Group will receive government grants in the future in respect of any of the Group's research and development and other activities.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Interest expense on bank borrowings wholly repayable within one year	**404**	919
Less: interest expense capitalised into construction in progress	**(10)**	—
Dividends on preferred shares *(Note 15)*	**4,231**	4,106
	4,625	5,025

(b) Staff costs

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**7,035**	6,320
Contributions to defined contribution retirement plan	**401**	373
	7,436	6,693

(c) Other items

		Six months ended 30 June	
		2009	2008
	Note	***RMB'000***	*RMB'000*
Amortisation			
– intangible assets		**32**	12
– lease prepayments		**135**	135
Depreciation	(i)	**3,178**	2,293
Net foreign exchange loss		**37**	701
Net gain on disposal of property, plant and equipment		**(215)**	(52)
Operating lease charges in respect of leased plant and equipment		**92**	97
Research and development costs	(i)	**1,807**	1,733

(i) Research and development costs for the six months ended 30 June 2009 included RMB1,507,000 (six months ended 30 June 2008: RMB1,315,000) relating to staff costs and depreciation, which amounts were also included in the respective total amounts disclosed separately in Note 7(b) or above for each of these types of expenses.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

8 INCOME TAX

Taxation in the consolidated statement of comprehensive income represents:

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
Current tax – PRC income tax		
Provision for the period	**7,354**	5,148
Deferred tax		
(Reversal)/origination of temporary difference	**(993)**	827
	6,361	5,975

(i) Provision for PRC income tax is based on a statutory rate of 25% of the assessable profit of Freda Biochem.

Pursuant to the "Advanced and New Technology Enterprise Certificate" (No. GR200837000125) issued to Freda Biochem and the notice [Lu Ke Gao Zi (2009) No.12] issued by Department of Science & Technology of Shandong Province, Finance Bureau of Shandong Province, National Taxation Bureau of Shandong Province and Local Taxation Bureau of Shandong Province on 5 December 2008 and 16 January 2009 respectively, Freda Biochem has satisfied certain conditions in the Corporate Income Tax Law of the PRC with effect on 1 January 2008 ("the new tax law") and was granted the qualification of advanced and new technology enterprise. Freda Biochem is therefore entitled to a concession on PRC income tax of 10% for three years from 1 January 2008 to 31 December 2010. As a result, the applicable PRC income tax rate of Freda Biochem for the six months ended 30 June 2009 is 15% (six months ended 30 June 2008: 15%).

(ii) Pursuant to the new tax law, from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment of a place of business in the PRC, are subject to withholding income tax at the rate of 10% (unless reduced by treaty) on various types of passive income including dividends derived from sources in the PRC. According to the requirements of the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income", as Freda Biochem is directly owned by Tactful World Limited ("Tactful"), which is incorporated in Hong Kong, a withholding rate of 5% is applicable to the calculation of the withholding tax (six months ended 30 June 2008: a withholding rate of 10% was applicable as Freda Biochem was directly owned by subsidiaries of the Group incorporated in British Virgin Islands) for the dividends paid to Tactful by Freda Biochem.

(iii) No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

9 EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2009 is based on the profit attributable to equity shareholders of the Company of RMB31,222,000 (six months ended 2008: RMB24,171,000) and the ordinary shares in issue of the Company of 312,000,000 as at the balance sheet date as if the shares had been outstanding throughout the period and the prior period.

There were no diluted potential ordinary shares during the periods presented and therefore, diluted earnings per share are calculated on the same basis as basic earnings per share.

10 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Acquisitions and disposals

During the six months ended 30 June 2009, the Group acquired items of property, plant and equipment with a cost of RMB822,000 (six months ended 30 June 2008: RMB1,199,000). Items of property, plant and equipment with a net book value of RMB316,000 were disposed of during the six months ended 30 June 2009 (six months ended 30 June 2008: RMB62,000).

(b) Transfer from construction in progress

During the six months ended 30 June 2009, construction in progress with a cost of RMB23,021,000 (six months ended 30 June 2008: RMB283,000) were completed and transferred to property, plant and equipment.

(c) As at 30 June 2009, property certificates of certain properties of the Group with an aggregate net book value of RMB632,000 (31 December 2008: RMB37,554,000) are yet to be obtained.

11 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are debtors and bills receivable with the following ageing analysis:

	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000*
Current	**29,136**	11,123
1 to 3 months overdue	**927**	1,008
3 to 6 months overdue	**47**	271
6 months to 1 year overdue	**13**	98
1 year overdue	**19**	16
Debtors and bills receivable	**30,142**	12,516
Prepayments and other receivables	**3,759**	5,670
Amounts due from related parties	**468**	8
	34,369	18,194

The credit term for trade receivables is generally 30 to 90 days.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

12 CASH AND CASH EQUIVALENTS

	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000*
Cash at bank and in hand	**75,655**	71,634

All the Group's cash and bank balances were placed with banks in the PRC or Hong Kong. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

13 SECURED BANK LOAN

(a) The secured bank loan was repayable as follows:

	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000*
Within 1 year	**10,000**	10,000

The secured bank loan as at 30 June 2009 was interest-bearing at rate of 8.217% per annum (31 December 2008: 8.217%).

(b) The carrying values of assets secured for banking facilities were as follows:

	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000*
Buildings	**22,815**	23,391
Lease prepayments	**12,260**	12,395
	35,075	35,786

The banking facilities of the Group granted by Jinan Branch of Bank of China, amounting to RMB37,000,000 (31 December 2008: RMB37,000,000), were utilised to the extent of RMB10,000,000 (31 December 2008: RMB10,000,000) as at 30 June 2009.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

14 TRADE AND OTHER PAYABLES

Included in trade and other payables is trade payables with the following ageing analysis:

	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000*
Due within 1 month or on demand	**147**	417
Trade payables	**147**	417
Payables for construction of plant and purchase of equipment	**9,961**	16,715
Receipts in advance	**262**	1,282
Value added tax payable	**1,291**	289
Amounts due to related parties	**50**	319
Accrued expenses and other payables	**4,487**	4,412
	16,198	23,434

15 PREFERRED SHARES

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
At 1 January	**49,728**	47,726
Dividends during the period *(Note 7(a))*	**4,231**	4,106
	53,959	51,832
Less: Current portion of preferred shares	**(6,732)**	(6,234)
At 30 June	**47,227**	45,598

(a) Amount due to preferred shareholder

The amount due to preferred shareholder of the Group is repayable as follows:

	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000*
Within 1 year	**6,732**	6,732
After 1 year but within 5 years	**22,880**	20,900
After 5 years	**24,347**	22,096
	53,959	49,728

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

16 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders attributable to the interim period

There was no interim dividend declared attributable to the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

	Six months ended 30 June	
	2009	2008
	RMB'000	*RMB'000*
2008 final dividends, approved and paid during the interim period, of HK3.2 cents per ordinary share (2007 final dividends: Nil)	**8,828**	—

(b) Share capital

	At 30 June 2009		At 30 June 2008	
	No. of shares	***HKD'000***	*No. of shares*	*HKD'000*
Authorised: Ordinary shares of Hong Kong Dollar ("HKD") 0.01 each *(Note (iii))*	**1,000,000,000**	**10,000**	78,000,000	780

	Six months ended 30 June 2009		Six months ended 30 June 2008	
	No. of shares	***RMB'000***	*No. of shares*	*RMB'000*
Issued and fully paid:				
At 1 January *(Note (iii) & (iv))*	**312,000,000**	**2,801**	49,950	400
Shares issued under reorganisation *(Note (i))*	—	—	49,950	349
Conversion of share capital of USD to HKD				
– Repurchase and cancellation of shares in USD *(Note (ii))*	—	—	(99,900)	(749)
– Allotment and issue of shares in HKD *(Note (ii))*	—	—	77,922,000	749
At 30 June	**312,000,000**	**2,801**	77,922,000	749

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

16 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) ***Share capital*** *(continued)*

The Company was incorporated in the Cayman Islands on 3 April 2006 with an authorised share capital of USD 50,000 divided into 50,000 ordinary shares of par value USD 1 each. 1 ordinary share of USD in the Company was allotted and issued to the initial subscriber for cash at par, and such share was subsequently transferred to Newgrand Holdings Limited ("Newgrand") on the same day.

On 3 April 2006, 16,649 shares and 33,300 shares of USD 1 each were allotted and issued for cash at par to Newgrand and AIM First Investment Limited ("AFI") respectively.

(i) Shares issued under reorganisation

Pursuant to a written resolution of the equity shareholders of the Company dated on 10 April 2008, the authorised share capital of the Company was increased from 50,000 shares of USD 1 each to 100,000 shares of USD 1 each by the creation of an additional 50,000 shares of USD 1 each.

On 10 April 2008, the Company acquired the entire share capital of Valuerank from AFI. The acquisition was satisfied by the allotment of 33,300 shares of USD 1 each. Upon the completion of the acquisition, Valuerank has become a wholly owned subsidiary of the Company.

On 10 April 2008, the Company acquired the entire share capital of Farstar from Newgrand. The acquisition was satisfied by the allotment of 16,650 shares of USD 1 each. Upon the completion of the acquisition, Farstar has become a wholly owned subsidiary of the Company.

(ii) Conversion of share capital from USD to HKD

On 6 June 2008, the authorised share capital of the Company changed from USD 100,000 divided into 100,000 shares of USD 1 each to HKD780,000 divided into 78,000,000 shares of HKD0.01 each.

Pursuant to a board resolution dated on 6 June 2008, 99,900 shares of USD 1 each of the Company were repurchased and cancelled at par and 77,922,000 shares of HKD0.01 each of the Company were allotted and issued to the equity shareholders of the Company in the proportion of their respective then shareholdings in the Company.

(iii) Shares issued by placing and public offer

On 3 September 2008, the equity shareholders of the Company resolved to increase the authorised share capital of the Company from HKD780,000 to HKD10,000,000 by the creation of an additional 922,000,000 shares.

On 3 October 2008, 78,000,000 ordinary shares of HKD0.01 each were issued and offered for subscription at a price of HKD1 each upon the listing of the shares of the Company on the Stock Exchange. The proceeds of HKD780,000, representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately HKD77,220,000, after deducting share issuing expenses of HKD18,400,000 (equivalent to RMB16,128,000) were credited to the share premium account.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

16 CAPITAL, RESERVES AND DIVIDENDS (continued)

***(b) Share capital** (continued)*

(iv) Capitalisation issue

Pursuant to the resolutions passed by the equity shareholders of the Company on 3 September 2008, upon the listing of the shares of the Company on the Stock Exchange, an amount of HKD1,560,780 standing to the credit of the share premium account was applied in paying up in full 156,078,000 shares for allotment and issue credited as fully paid to the persons whose names appeared on the register of members of the Company at the close of business on 2 September 2008 in proportion to their then shareholdings in the Company, each ranking pari passu in all respects with the then existing issued shares.

17 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	At 30 June 2009	At 31 December 2008
	RMB'000	*RMB'000*
Authorised and contracted for	**240**	620
Authorised but not contracted for	**11,700**	11,700
	11,940	12,320

18 POST BALANCE SHEET EVENTS

No events requiring disclosure occurred between the balance sheet date and the date of the interim financial report.

19 COMPARATIVE FIGURES

As a result of the application of IAS 1 (revised 2007), Presentation of financial statements, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in Note 3.