



**Bloomage BioTechnology Corporation Limited**  
**華熙生物科技股份有限公司**

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 00963



**2010**  
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  
Jinan City  
Shandong Province  
PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2001-2005, 20th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

### AUDITORS

KPMG



**LEGAL ADVISERS AS TO HONG KONG LAWS**

Loong & Yeung

**COMPANY WEBSITE**

[www.bloomagebio-tech.com](http://www.bloomagebio-tech.com)

**PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

HSBC Trustee (Cayman) Limited  
P.O. Box 484  
HSBC House  
68 West Bay Road  
Grand Cayman  
KY1-1106  
Cayman Islands

**PRINCIPAL BANKERS**

Agricultural Bank of China  
Jinan Branch of the Bank of China

**HONG KONG BRANCH SHARE REGISTRAR AND  
TRANSFER OFFICE**

Tricor Investor Services Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

**STOCK CODE**

00963



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW:

Bloomage BioTechnology Corporation Limited (the "Company", and together with its subsidiaries, the "Group") is an investment holding company. Its principal operating subsidiary is a manufacturer of hyaluronic acid ("HA") in the PRC principally engaging in the manufacture and sale of a diversified range of HA products. HA is a naturally occurring substance found in many parts of human bodies and animals. It is typically found in the joints, vitreous humor in the eyes, skin, the umbilical cord and in rooster combs. HA is a hydrophilic (water-binding) molecule. It has strong moisturising effect for the skin and eye when applied topically. Another key characteristic of HA is its viscoelasticity since HA can form protective films in human and animal bodies to maintain moisture, withstand friction and compression, and lubricate body tissues. Given that HA exhibits hydrating, lubricating and viscoelastic properties, it is widely used as raw materials/excipients in pharmaceutical, cosmetic and healthcare products. The HA products of the Group can generally be classified into four grades, namely injection grade, eye drop grade, cosmetic grade and food grade. In the early stage of development, the Group focused on the development, production and sale of the more prevalent cosmetic grade and eye drop grade HA products. Upon continuous refinements on product quality and production technologies, the Group is now capable of producing injection grade HA products which have the most stringent quality requirements amongst all the four grades of HA products mentioned above. With an aim at increasing the Group's revenue base, the Group will expedite the development of HA end products while maintaining its strong foothold in the cosmetic grade and eye drop grade markets and continue expansion of injection grade and food grade HA markets.

### BUSINESS REVIEW:

For the six months ended 30 June 2010, the Group achieved satisfactory results. The turnover for the period amounted to RMB78,240,000, representing an increase of 20.2% as compared with RMB65,091,000 in the corresponding period of 2009. Gross profits were RMB63,026,000, an increase of 14.7% from RMB54,930,000 in the corresponding period of 2009; and its profit attributable to equity shareholders of the Company for the six months ended 30 June 2010 increased by 21.0% from RMB31,222,000 in the corresponding period of 2009 to RMB37,787,000.

Riding on the gradually recovering global economy during the first half of 2010, the Group has successfully expanded its export sales through attracting new overseas customers and exploring new business opportunities from existing overseas customers. In the first half of 2010, the Group continued to strengthen its brand image, extended sales network and enhanced and consolidated its leading position in the HA sector. The Group reinforced its research and development capability and technology advancement on new products and stepped up its effort to filing of the research results.



### Brand promotion and market expansion

Through effective execution of our brand promotion and marketing strategy in the first half of 2010, the Group had increased its products sales by 20.2%. Export sales increased significantly by 65.9% while domestic sales were maintained at a similar level as compared to the first half of 2009. There is an increasing trend in the use of HA as an ingredient for cosmetic and health food products in the overseas market, particularly in Japan and the American market. The Group has increased its marketing efforts in the overseas market and has attracted various new customers and exploring new business opportunities from existing overseas customers in the first half of 2010 for the sales of cosmetic grade and food grade products.

### R&D enhancement and products expansion

Research and development has always been the key element of the Group's sustainability. While maintaining an advanced technology standard of HA and continue improving the quality of its existing products and production efficiency, the Group also fortified its research and development efforts in developing new products and end products.

In the first half of 2010, the Group has completed the production set-up of the "soft tissue filler that makes use of cross-linked HA to be used in medical device" and the related ISO13485 quality management system certification.

### BUSINESS OUTLOOK:

The Board anticipates that our market will be full of challenges and opportunities in the second half of 2010.

The Group intends to increase the investment in the research and development of new production technologies to expedite the launch of new products that have promising demand, such as injection grade HA finished products for medical device, cross-linked HA used as soft tissue fillers and HA used in orthopaedic and eye treatment.

The Group will continue to develop business relationship with more renowned brand names in order to increase the market awareness of the Group's brand and to expand its share in overseas market. The Group will further strengthen its marketing efforts by participating in more trade fairs and exhibitions, convening product introduction conference and placing advertisements to promote the Group's product image. Furthermore, the Group will establish and expand its sales network by selecting local distributors and resellers. The Group is in the process of identifying appropriate investment opportunities to further expand its overseas business and to diversify its core business.



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 the operation results as a whole.

## FINANCIAL REVIEW

### Turnover

The Group's turnover for the six months ended 30 June 2010 was RMB78.24 million, representing an increase of 20.2% as compared to the corresponding period of 2009. The increase represented the net effect of the increase in sales of cosmetic and food grade products and the decrease in sales of injection grade and eye drops grade products. The breakdown of the Group's turnover by products was as follows:

	Six months ended 30 June			
	2010		2009	
	RMB'000	%	RMB'000	%
Injection	<b>9,768</b>	<b>12.5</b>	14,269	21.9
Eye drop	<b>11,782</b>	<b>15.1</b>	12,046	18.5
Cosmetic	<b>47,029</b>	<b>60.1</b>	32,216	49.5
Food	<b>8,964</b>	<b>11.5</b>	6,157	9.5
Other	<b>697</b>	<b>0.8</b>	403	0.6

For the six months ended 30 June 2010, the increase in turnover of cosmetic and food grade products was mainly due to the increase in exports sales to overseas customers. The decrease in turnover of injection grade, and eye drop grade was due to customers' business adjustment which resulted in the decrease in sales volume of these products.

### Cost of sales

Cost of sales for the six months ended 30 June 2010 was approximately RMB15.21 million, representing an increase of approximately 49.7% as compared to approximately RMB10.16 million for the corresponding period of 2009. The increase was mainly attributable to the increase in the sales volume of cosmetic grade and food grade products.

### Gross profit margin

The Group's gross profit margin for the six months ended 30 June 2010 was approximately 80.6%, which is slightly lower than the 84.4% for the corresponding period of 2009. The lower gross profit margin represented the effects of the change in products sales mix during the period.



#### **Other revenue**

Other revenue of the Group was RMB4.37 million for the six months ended 30 June 2010, representing an increase of RMB3.46 million for the corresponding period of 2009. The increase in other revenue was mainly attributable to the increase 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 2010 were RMB5.75 million, representing an increase of about 19.5% from approximately RMB4.81 million for the corresponding period of 2009. The increase was mainly due to the increase of transport charges and insurance fee as a result of the increase in export sales volume as compared to that for the corresponding period of 2009.

#### **Administrative expenses**

The Group's administrative expenses for the six months ended 30 June 2010 were approximately RMB9.92 million, representing an increase of about 13.8% from approximately RMB8.72 million for the corresponding period of 2009. The increase in administrative expenses was mainly due to the increase in the staff salaries and welfare resulted from the recruitment of additional staff and the increase in research and development cost.

#### **Other operating expenses**

The Group's other operating expenses for the six months ended 30 June 2010 were approximately RMB0.33 million, representing an increase of RMB0.22 million from approximately RMB0.11 million for the corresponding period of 2009. The increase in other operating expenses was mainly attributable to the increase in the exchange loss and bank handling fees.

#### **Finance costs**

The Group's finance costs for the six months ended 30 June 2010 were approximately RMB4.36 million, representing a decrease of about 5.8% from approximately RMB4.63 million for the corresponding period of 2009. The decrease in finance costs was mainly attributable to the decrease in interest expenses on bank borrowings.

#### **Profit for the period**

The Group's profit for the six months ended 30 June 2010 was approximately RMB37.79 million, representing an increase of about 21.0% from approximately RMB31.22 million for the corresponding period of 2009.

#### **Liquidity and Financial Resources**

As at 30 June 2010, the current assets of the Group were approximately RMB158.30 million (31 December 2009: RMB131.02 million) and current liabilities of approximately RMB37.73 million (31 December 2009: RMB29.13 million). As at 30 June 2010, the current ratio of the Group was approximately 419.6% (31 December 2009: 449.8%). The slight decrease in current ratio was due to the increase in trade and other payables.





As at 30 June 2010, cash and cash equivalents of the Group were approximately RMB106.80 million (31 December 2009: RMB95.28 million) and total liabilities were approximately RMB81.17 million (31 December 2009: RMB76.27 million).

The Group's gearing ratio (calculated by dividing total liabilities by total assets) as at 30 June 2010 was 28.7% (31 December 2009: 31.1%).

Net cash generated from operating activities for the six months ended 30 June 2010 was approximately RMB36.58 million (six months ended 30 June 2009: RMB19.82 million). Net cash outflow to investing activities for the six months ended 30 June 2010 was approximately RMB12.53 million (six months ended 30 June 2009: RMB6.99 million). Net cash outflow to financing activities for the six months ended 30 June 2010 was approximately RMB12.21 million (six months ended 30 June 2009: RMB8.80 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.

As at 30 June 2010, the Group did not have any bank borrowing.

#### **Exchange Risk Exposure and Contingent Liabilities**

The sales of the Group were principally 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 2010, the Group had no contingent liabilities.

#### **Capital Commitment**

As at 30 June 2010, the capital commitment of the Group was 0.59 million (31 December 2009: RMB19.25 million).

#### **Employee information**

As at 30 June 2010, the Group had 226 employees (31 December 2009: 220 employees) and the majority of whom were stationed in the PRC. Total remuneration for the six months ended 30 June 2010 amounted to RMB8.23 million (six months ended 30 June 2009: RMB7.44million). 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 2010, the Group's did not have any charge on its assets (31 December 2009: nil).

#### **Material acquisitions and disposal of subsidiaries and associated companies**

During the six months ended 30 June 2010, 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 2010, 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 of the Company

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 ("Ms. Zhao"). 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 Holdings Limited ("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 3 October 2008, 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 Holdings Limited ("Newgrand"), which is wholly-owned by Mr. Cheng Bo ("Mr. Cheng"). 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	Name of Associated corporation	Capacity	Number of securities	Approximate percentage of shareholding
Ms. Zhao	AFI	Beneficial owner	50,000 ordinary shares	100%

Save as disclosed above, as at 30 June 2010, 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 2010, 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 held	Number of Shares	Approximate percentage of the issued capital of the Company
<b>Substantial shareholders</b>			
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%
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. 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. 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 2010, 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

The purpose of the share option scheme ("the Scheme") is 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 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, or any 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.

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.00. The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme does not exceed 10% of the shares in issue on 3 October 2008 on which the Shares are listed and from which dealings in the Shares commence on the Main Board ("the Listing Date"). The Company may at any time refresh such limit, subject to the shareholders' approval and issue of circular in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time.



The total number of securities available for issue under the Scheme as at the date of this report was 31,200,000 Shares which represented 10% of the issued share capital of the Company as at the date of this report. The total number of shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An option may be exercised in accordance with the terms of the Scheme at any time during a period as the Board may determine, of which the term shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

No share option were granted, exercised, cancelled or lapsed by the Company under the Scheme during the period under review. There was no outstanding share option under the Scheme as at 30 June 2010.

### INTERIM DIVIDEND

The Board does not recommend the declaration or payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: nil).

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2010, 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 2010, the net proceeds were utilised as follows:

	<i>HK\$'000</i>
Constructing the new production line for the manufacture of eye drop grade and injection grade HA products	12,757
Constructing the new production line for the manufacture of finished injection grade HA products which would be used as medical device	10,845
Improving research and development capability	4,473
Promotion and expansion of the Group's distribution network	6,380
	<hr/>
Total	34,455
	<hr/> <hr/>

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 to the Listing Rules. During the period under review the Company has complied with the code provision of the Code.



## AUDIT COMMITTEE

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 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 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 consists of 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 2010. The audit committee has also reviewed this interim report, and confirms that it is complete and accurate and complies with the Listing Rules

By order of the Board

**ZHAO YAN**

*Chairman*

27 August 2010



**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 15 to 30 which comprises the consolidated balance sheet of Bloomage BioTechnology Corporation Limited as of 30 June 2010 and the related consolidated statement of comprehensive income and the statement of changes in equity and the 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 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

**KPMG**

*Certified Public Accountants*  
8<sup>th</sup> Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

27 August 2010



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2010-unaudited

	Note	Six months ended 30 June	
		2010 RMB'000	2009 RMB'000
<b>Turnover</b>	5	<b>78,240</b>	65,091
Cost of sales		<b>(15,214)</b>	(10,161)
<b>Gross profit</b>		<b>63,026</b>	54,930
Other revenue	6	<b>4,371</b>	915
Distribution costs		<b>(5,746)</b>	(4,810)
Administrative expenses		<b>(9,924)</b>	(8,716)
Other operating expenses		<b>(325)</b>	(111)
<b>Profit from operations</b>		<b>51,402</b>	42,208
Finance costs	7(a)	<b>(4,357)</b>	(4,625)
<b>Profit before taxation</b>	7	<b>47,045</b>	37,583
Income tax	8	<b>(9,258)</b>	(6,361)
<b>Profit for the period</b>		<b>37,787</b>	31,222
<b>Other comprehensive income for the period:</b>			
Exchange differences on translation of financial statements of foreign operations		<b>(256)</b>	(13)
<b>Total comprehensive income for the period</b>		<b>37,531</b>	31,209
<b>Basic and diluted earnings per share (RMB)</b>	9	<b>0.12</b>	0.10

The notes on pages 20 to 30 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 15.



## CONSOLIDATED BALANCE SHEET

at 30 June 2010-unaudited

		<b>At 30 June 2010</b>	At 31 December 2009
	<i>Note</i>	<b>RMB'000</b>	<i>RMB'000</i>
<b>Non-current assets</b>			
Property, plant and equipment, net	10	<b>97,259</b>	101,262
Construction in progress		<b>14,722</b>	630
Intangible assets		<b>818</b>	555
Lease prepayments		<b>11,990</b>	12,125
<b>Total non-current assets</b>		<b>124,789</b>	114,572
<b>Current assets</b>			
Inventories		<b>16,493</b>	12,627
Trade and other receivables	11	<b>30,666</b>	23,114
Restricted cash	12	<b>4,343</b>	—
Cash and cash equivalents	12	<b>106,799</b>	95,282
<b>Total current assets</b>		<b>158,301</b>	131,023
<b>Current liabilities</b>			
Trade and other payables	13	<b>25,980</b>	19,171
Current portion of preferred shares	14	<b>7,853</b>	7,271
Income tax payable		<b>3,901</b>	2,684
<b>Total current liabilities</b>		<b>37,734</b>	29,126
<b>Net current assets</b>		<b>120,567</b>	101,897
<b>Total assets less current liabilities</b>		<b>245,356</b>	216,469

The notes on pages 20 to 30 form part of this interim financial report.



**CONSOLIDATED BALANCE SHEET** (continued)

at 30 June 2010-unaudited

	<i>Note</i>	<b>At 30 June 2010 RMB'000</b>	At 31 December 2009 RMB'000
<b>Non-current liabilities</b>			
Deferred income		1,303	1,805
Deferred tax liabilities		1,373	1,081
Preferred shares	14	40,763	44,259
<b>Total non-current liabilities</b>		<b>43,439</b>	<b>47,145</b>
<b>Net assets</b>			
		<b>201,917</b>	169,324
<b>Capital and reserves</b>			
Share capital		2,801	2,801
Reserves		199,116	166,523
<b>Total equity</b>		<b>201,917</b>	<b>169,324</b>

Approved and authorised for issue by the board of directors on 27 August 2010.

**Zhao Yan**  
*Director*

**Guo Jiajun**  
*Director*

The notes on pages 20 to 30 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2010-unaudited

		Attributable to equity shareholders of the Company						
	Note	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
<b>Balance at 1 January 2009</b>		2,801	50,187	5,745	21,210	337	47,229	127,509
<b>Changes in equity for the six months ended 30 June 2009:</b>								
Total comprehensive income for the period		—	—	—	—	(13)	31,222	31,209
Appropriation to statutory reserves		—	—	5,196	—	—	(5,196)	—
Dividends for the year ended 31 December 2008	15(b)	—	—	—	—	—	(8,828)	(8,828)
<b>Balance at 30 June 2009 and 1 July 2009</b>		2,801	50,187	10,941	21,210	324	64,427	149,890
<b>Changes in equity for the six months ended 31 December 2009:</b>								
Total comprehensive income for the period		—	—	—	—	(32)	19,466	19,434
<b>Balance at 31 December 2009</b>		2,801	50,187	10,941	21,210	292	83,893	169,324
<b>Balance at 1 January 2010</b>		2,801	50,187	10,941	21,210	292	83,893	169,324
<b>Changes in equity for the six months ended 30 June 2010:</b>								
Total comprehensive income for the period		—	—	—	—	(256)	37,787	37,531
Appropriation to statutory reserves		—	—	6,175	—	—	(6,175)	—
Dividends for the year ended 31 December 2009	15(b)	—	—	—	—	—	(4,938)	(4,938)
<b>Balance at 30 June 2010</b>		<b>2,801</b>	<b>50,187</b>	<b>17,116</b>	<b>21,210</b>	<b>36</b>	<b>110,567</b>	<b>201,917</b>

The notes on pages 20 to 30 form part of this interim financial report.



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2010-unaudited

	Note	Six months ended 30 June	
		2010	2009
		RMB'000	RMB'000
<b>Cash generated from operations</b>		<b>44,244</b>	25,835
PRC income tax paid		(7,749)	(5,671)
Interest received		89	59
Interest paid on bank borrowings		—	(404)
<b>Net cash generated from operating activities</b>		<b>36,584</b>	19,819
<b>Net cash used in investing activities</b>		<b>(12,529)</b>	(6,989)
<b>Net cash used in financing activities</b>		<b>(12,209)</b>	(8,802)
<b>Net increase in cash and cash equivalents</b>		<b>11,846</b>	4,028
<b>Cash and cash equivalents at 1 January</b>		<b>95,282</b>	71,634
<b>Effect of foreign exchange rate changes</b>		<b>(329)</b>	(7)
<b>Cash and cash equivalents at 30 June</b>	12	<b>106,799</b>	75,655

The notes on pages 20 to 30 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, Shandong Freda Biopharmaceutical Co., Ltd. (“Freda Biopharm”), is established in the People’s Republic of China (the “PRC”) principally engaging in the manufacture and sale of bio-chemical 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 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 27 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statement. 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 2009 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 14.

The financial information relating to the financial year ended 31 December 2009 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 2009 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 9 April 2010.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

### 3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and one new Interpretation 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:

- Improvements to IFRSs (2009)

The developments resulted in changes in accounting policy which is relevant to the Group's financial statements are as follows:

- As a result of the amendment to IAS 17, *Leases*, arising from the "*Improvements to IFRSs (2009)*" omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers significantly all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate. This change in accounting policy has no material impact on the current or previous periods.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 4 SEGMENT REPORTING

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 has presented two reportable segments for the six months ended 30 June 2010, namely domestic customers and overseas customers, for which business are derived from the production and sale of bio-chemical products.

In presenting information on the reportable segments, segment revenue is based on the geographical location of customers. The measure used for reporting segment profit is "gross profit" after deducting transportation expenses incurred. 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.



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (continued)

**4 SEGMENT REPORTING** (continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period and the reconciliation of reportable segment revenues and profit or loss are set out below.

	Six months ended 30 June 2010				Consolidated <i>RMB'000</i>
	Domestic	Overseas			
	<i>RMB'000</i>	Asia <i>RMB'000</i>	Americas <i>RMB'000</i>	Others <i>RMB'000</i>	
Turnover	<b>47,430</b>	<b>14,953</b>	<b>11,780</b>	<b>4,077</b>	<b>78,240</b>
Segment result	<b>40,584</b>	<b>10,469</b>	<b>8,444</b>	<b>2,825</b>	<b>62,322</b>
Unallocated income and expenses					<b>(10,920)</b>
Profit from operations					<b>51,402</b>
Finance costs					<b>(4,357)</b>
Income tax					<b>(9,258)</b>
Profit for the period					<b>37,787</b>

	Six months ended 30 June 2009				Consolidated <i>RMB'000</i>
	Domestic	Overseas			
	<i>RMB'000</i>	Asia <i>RMB'000</i>	Americas <i>RMB'000</i>	Others <i>RMB'000</i>	
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)
Profit from operations					42,208
Finance costs					(4,625)
Income tax					(6,361)
Profit for the period					31,222



**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.

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	<i>RMB'000</i>
Hyaluronic acid products	<b>77,543</b>	64,688
Heparin products	<b>219</b>	182
Others	<b>478</b>	221
	<b>78,240</b>	65,091

**6 OTHER REVENUE**

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2010</b>	2009
		<b>RMB'000</b>	<i>RMB'000</i>
Government grants	(a)	<b>3,054</b>	124
Interest income		<b>89</b>	59
Rental and related property management service income		<b>1,210</b>	432
Others		<b>18</b>	300
		<b>4,371</b>	915

**(a) Government grants**

The grants represented an assistance of RMB3,003,000 in relation to the research and development of hyaluronic acid products, and an award of RMB51,000 in relation to the promotion of "Freda" as a famous Shandong brand name in the PRC (six months ended 30 June 2009: an incentive of RMB124,000 in relation to the research and development of hyaluronic acid products and construction of related sewage purification facilities) received by Freda Biopharm during the six months ended 30 June 2010.

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	
	2010	2009
	RMB'000	RMB'000
Interest expense on bank borrowings wholly repayable within one year	—	404
Less: interest expense capitalised into construction in progress	—	(10)
Dividends on preferred shares (Note 14)	4,357	4,231
	<u>4,357</u>	<u>4,625</u>

(b) Staff costs

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Salaries, wages and other benefits	7,728	7,035
Contributions to defined contribution retirement plans	499	401
	<u>8,227</u>	<u>7,436</u>

(c) Other items

	Note	Six months ended 30 June	
		2010	2009
		RMB'000	RMB'000
Amortisation			
– intangible assets		37	32
– lease prepayments		135	135
Depreciation	(i)	4,175	3,178
Net foreign exchange loss		185	37
Net loss/(gain) on disposal of property, plant and equipment		2	(215)
Operating lease charges in respect of leased plant and equipment		125	92
Research and development costs	(i)	2,805	1,807
		<u>2,805</u>	<u>1,807</u>

- (i) Research and development costs for the six months ended 30 June 2010 included RMB1,709,000 (six months ended 30 June 2009: RMB1,507,000) 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:

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	<i>RMB'000</i>
<b>Current tax – PRC income tax</b>		
Provision for the period	<b>8,966</b>	7,354
<b>Deferred tax</b>		
Origination and reversal of temporary difference	<b>292</b>	(993)
	<b>9,258</b>	6,361

- (i) Provision for PRC income tax is based on a statutory rate of 25%.

Pursuant to the "Advanced and New Technology Enterprise Certificate" (No. GR200837000125) issued to Freda Biopharm 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 Biopharm has satisfied certain conditions in the Corporate Income Tax Law of the PRC with effect on 1 January 2008 ("the tax law") and was granted the qualification of advanced and new technology enterprise. Freda Biopharm 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 Biopharm for the six months ended 30 June 2010 is 15% (six months ended 30 June 2009: 15%).

- (ii) Pursuant to the 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 PRC income tax at the rate of 10% on various types of passive income including dividends derived from sources in the PRC ("withholding tax"). During the six months ended 30 June 2010, the Group has provided for withholding tax of RMB1,373,000 (six months ended 30 June 2009: RMB608,000) in respect of profits earned by Freda Biopharm which are to be distributed to its immediate holding company Tactful World Limited, an investment holding company incorporated in Hong Kong.

As at 30 June 2010, temporary differences relating to the undistributed profits of Freda Biopharm amounted to RMB96,449,000 (31 December 2009: RMB72,000,000). Deferred tax liabilities of RMB8,272,000 (31 December 2009: RMB6,119,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of Freda Biopharm and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

- (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 2010 (six months ended 30 June 2009: 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 2010 is based on the profit attributable to equity shareholders of the Company of RMB37,787,000 (six months ended 30 June 2009: RMB31,222,000) and the 312,000,000 ordinary shares in issue of the Company during the interim period (six months ended 30 June 2009: 312,000,000 ordinary shares).

There were no dilutive 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 2010, the Group acquired items of property, plant and equipment with a cost of RMB268,000 (six months ended 30 June 2009: RMB822,000). Items of property, plant and equipment with a net book value of RMB124,000 were disposed of during the six months ended 30 June 2010 (six months ended 30 June 2009: RMB316,000).

#### (b) *Transfer from construction in progress*

During the six months ended 30 June 2010, construction in progress with a cost of RMB28,000 (six months ended 30 June 2009: RMB23,021,000) were completed and transferred to property, plant and equipment.

(c) As at 30 June 2010, property certificates of certain properties of the Group with an aggregate net book value of RMB599,000 (31 December 2009: RMB616,000) are yet to be obtained.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

### 11 TRADE AND OTHER RECEIVABLES

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

	<b>At 30 June</b>	At 31 December
	<b>2010</b>	2009
	<b>RMB'000</b>	<i>RMB'000</i>
Current	<b>23,666</b>	18,626
1 to 3 months overdue	<b>1,536</b>	1,150
3 to 6 months overdue	<b>114</b>	85
6 months to 1 year overdue	<b>6</b>	—
	<hr/>	<hr/>
Debtors and bills receivable	<b>25,322</b>	19,861
Prepayments and other receivables	<b>4,134</b>	3,218
Amounts due from related parties	<b>1,210</b>	35
	<hr/>	<hr/>
	<b>30,666</b>	23,114
	<hr/> <hr/>	<hr/> <hr/>

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

### 12 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

		<b>At 30 June</b>	At 31 December
		<b>2010</b>	2009
	<i>Note</i>	<b>RMB'000</b>	<i>RMB'000</i>
Cash at bank and on hand		<b>111,142</b>	95,282
Less: restricted cash	(i)	<b>(4,343)</b>	—
		<hr/>	<hr/>
Cash and cash equivalents		<b>106,799</b>	95,282
		<hr/> <hr/>	<hr/> <hr/>

(i) At 30 June 2010, restricted cash represented deposits with banks for issuance of bills by the Group.

All the Group's cash at bank 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.



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (continued)

**13 TRADE AND OTHER PAYABLES**

	<b>At 30 June</b>	At 31 December
	<b>2010</b>	2009
	<b>RMB'000</b>	<i>RMB'000</i>
Trade payable to:		
– Related parties	<b>1,653</b>	—
– Third parties	<b>648</b>	948
	<u><b>2,301</b></u>	<u>948</u>
Payables for construction of plant and purchase of equipment	<b>17,238</b>	10,770
Receipts in advance	<b>1,182</b>	837
Value added tax payable	<b>918</b>	568
Other payables due to related parties	<b>50</b>	50
Accrued expenses and other payables	<b>4,291</b>	5,998
	<u><b>25,980</b></u>	<u>19,171</u>

The ageing analysis of trade payable is as follows:

	<b>At 30 June</b>	At 31 December
	<b>2010</b>	2009
	<b>RMB'000</b>	<i>RMB'000</i>
Due within 1 month or on demand	<u><b>2,301</b></u>	<u>948</u>



**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (continued)

**14 PREFERRED SHARES**

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
At 1 January	<b>51,530</b>	49,728
Dividends during the period (Note 7(a))	<b>4,357</b>	4,231
Payment of dividends of preferred shares	<b>(7,271)</b>	—
	<b>48,616</b>	53,959
Less: current portion of preferred shares	<b>(7,853)</b>	(6,732)
At 30 June	<b>40,763</b>	47,227

**(a) Amount due to preferred shareholder**

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

	<b>At 30 June</b>	At 31 December
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
Within 1 year	<b>7,853</b>	7,271
After 1 year but within 5 years	<b>25,850</b>	26,892
After 5 years	<b>14,913</b>	17,367
	<b>48,616</b>	51,530



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

### 15 DIVIDENDS

(a) *Dividends payable to equity shareholders attributable to the interim period*

There was no interim dividend declared attributable to the six months ended 30 June 2010 (six months ended 30 June 2009: nil).

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

	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
2009 final dividends, approved and paid during the interim period, of HK 1.8 cents per ordinary share (2008 final dividends: HK 3.2 cents per ordinary share)	<b>4,938</b>	8,828

### 16 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	<b>At 30 June</b>	At 31 December
	<b>2010</b>	2009
	<b>RMB'000</b>	RMB'000
Authorised and contracted for	<b>587</b>	4,474
Authorised but not contracted for	—	14,776
	<b>587</b>	19,250

### 17 MATERIAL RELATED PARTY TRANSACTIONS

In January 2010, Freda Biopharm entered into a three-year lease agreement in respect of its certain properties and equipment with Shandong Freda Pharmaceuticals Group Company Limited ("SFP"), which is effectively managed by key management personnel of Freda Biopharm. The amount of rental income earned by the Group during the six months ended 30 June 2010 was RMB684,000 (six months ended 30 June 2009: RMB nil) and the receivable balance at 30 June 2010 was RMB684,000 (31 December 2009: RMB nil).

In June 2010, Freda Biopharm purchased semi-finished hyaluronic acid products as raw materials from Linyi Freda Biochemicals Co., Ltd., which is effectively managed by key management personnel of Freda Biopharm. The amount of purchase by the Group during the six months ended 30 June 2010 was RMB3,852,000 (six months ended 30 June 2009: RMB nil) and the payable balance at 30 June 2010 was RMB1,653,000 (31 December 2009: RMB nil).

In the opinion of the directors of the Company, the above related party transactions were conducted in the ordinary and usual course of business and on normal commercial terms.

### 18 POST BALANCE SHEET EVENTS

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