



**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

**2012**  
*Interim Report*



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A decorative graphic on the right side of the page features a thick, flowing blue ribbon that starts from the bottom left and curves upwards and to the right. In the background, there is a faint, light blue molecular structure consisting of several interconnected circles of varying sizes, resembling a network or a chemical structure.

## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Ms. Zhao Yan (*Chairman*)  
 Ms. Liu Aihua  
*(appointed as Chief Executive Officer and Executive Director on 18 June 2012)*  
 Ms. Wang Aihua  
 Mr. Guo Jiajun  
*(resigned as Chief Executive Officer and Executive Director on 18 June 2012)*

### NON-EXECUTIVE DIRECTOR

Mr. Guo Jiajun  
*(re-designated as Non-executive Director on 18 June 2012)*

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Zhan Lili  
 Mr. Zhang Fuping  
 Mr. Qin Bin  
 Mr. Jin Xuekun  
*(appointed as Independent Non-executive Director on 18 June 2012)*

### 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. Jin Xuekun (*appointed on 18 June 2012*)  
 Mr. Zhang Fuping (*resigned on 18 June 2012*)

### MEMBERS OF REMUNERATION COMMITTEE

Mr. Jin Xuekun (*appointed as Chairman on 18 June 2012*)  
 Mr. Qin Bin (*appointed on 18 June 2012*)  
 Ms. Wang Aihua (*appointed on 18 June 2012*)  
 Ms. Zhan Lili  
*(resigned as Chairman and from remuneration committee on 18 June 2012)*  
 Mr. Guo Jiajun (*resigned on 18 June 2012*)  
 Mr. Zhang Fuping (*resigned on 18 June 2012*)

### MEMBERS OF NOMINATION COMMITTEE

Mr. Zhang Fuping (*Chairman*)  
 Mr. Jin Xuekun (*appointed on 18 June 2012*)  
 Ms. Liu Aihua (*appointed on 18 June 2012*)  
 Ms. Zhao Yan (*resigned on 18 June 2012*)  
 Ms. Zhan Lili (*resigned on 18 June 2012*)

### 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

#### 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

#### 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

#### COMPANY WEBSITE

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

#### PRINCIPAL BANKERS

Agricultural Bank of China  
Jinan Branch of the Bank of China  
China Everbright Bank  
Jinan Branch of Industrial Bank

## 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 People's Republic of China (the "PRC") principally engaging in the development, manufacture and sale of a diversified range of HA products. HA is a naturally occurring substance that can be found in many parts of human bodies and animals, usually in the joints, vitreous humor in the eyes, skin, 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 Group is principally engaged in the production and sale of various HA raw materials, and is actively developing HA end products. The HA raw materials products of the Group can generally be classified into five grades, namely injection grade, eye drop grade, cosmetic grade, food grade and HA oligosaccharide. For end products, the Group has successfully developed new products such as Medical Sodium Hyaluronate Gel for ophthalmologic use and Hyaluronan Soft Tissue Filling Gel.

### BUSINESS REVIEW

For the six months ended 30 June 2012, the Group's turnover for the period amounted to RMB143,843,000, representing an increase of 24.2% as compared with RMB115,818,000 in the corresponding period of 2011. Gross profits were RMB98,925,000, representing an increase of 13.2% from RMB87,395,000 in the corresponding period of 2011; and its profit for the six months ended 30 June 2012 increased by 6.5% from RMB52,960,000 in the corresponding period of 2011 to RMB56,407,000. The slowdown of net profit growth was mainly attributable to the short-term effect of the increase in the direct cost and marketing expense resulting from expansion of raw materials products capacity and launch of new end products respectively.

During the first half of 2012, the Group had been facing a mixed market environment. On one hand, the European debt crisis which triggered global economic downturn, together with increasing industry competition in PRC, inevitably increased the pressure of the Group on the products price and the performance. On the other hand, with the continuous in-depth research and promotion, HA becomes famous and it has a much wider application in beauty products, health food and medicine. With the adoption of positive strategies such as product innovation, product segments and service improvements, the Group effectively increased the sales for both domestic and overseas markets by exploring new products and application for both existing and new customers while maintaining the current market share. In the first half of 2012, the Group achieved good progress in product registration and certification. In preparation of the launch of end products, the Group has actively carried out the team building process and market planning.

### Brand promotion and market expansion

In the first half of 2012, the Group strengthened the promotion and publicity of the exhibition by special fitting and decoration, expansion of booth area and unified image identification, in order to enhance its leading position and high-end brand image. Besides, with the launch of new product miniHA, the Group increased the resources for both domestic and overseas media communication and advertisements. From the sales aspect, the Group paid frequent visits to customers and arranged invitation to high-end customers for factory visits in order to maintain a close relationship with them. With the effective implementation of its branding and marketing strategy, the Group achieved steady growth in both domestic and overseas markets. As compared to the corresponding period of 2011, the total product sales had been increased by 24.2%, which included 38.1% increase in domestic sales and 2.4% increase in overseas sales.

### R&D enhancement and product expansion

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

In the first half of 2012, the Group had achieved considerable progress for quality certification. HA raw materials products had obtained the PRC Good Manufacturing Practice ("GMP") certificate and passed the United States Food and Drug Administration ("FDA") on-site inspection. GMP certificate could further enhance the Group's leading position in respect of its HA raw materials in PRC medicine industry. For HA end products, the new product Hyaluronan Soft Tissue Filling Gel (proposed to be registered under the trademark "BioHyalux") had successfully been registered in the PRC and became the first cross-linked Hyaluronan cosmetic filling product in the PRC.

## BUSINESS OUTLOOK

The Board expects that the market is still full of challenges and opportunities in the second half of 2012.

For the HA raw materials products, the Group will continue to increase the investment in the research and development and equipment improvement of new production technology. Besides, the Group will strengthen the promotion of the new products HA Oligosaccharide and miniHA, expand the customers base and look for new growth potential by exploring HA applications. The expansion of existing raw materials products capacity will reinforce the Group's competitiveness in increasing the market share in the industry.

For the HA end products, since BioHyalux has obtained qualification in the PRC, the Group will expedite the set up and improvement of the sales and marketing teams, and actively promote the launch of BioHyalux through various effective strategies. Besides, in order to enrich the end products variety, the Group will continue to accelerate research and development and the registration process for the cosmetic injection products with series of efficacy and other products used in other medical fields. With the continuous development and launch of new end products, the Group will have a more diversified portfolio of products sale which will help to maintain a sustainable growth in the long run.

The Board believes that the Group will maintain stable growth and increase shareholders' return in the second half of the year. In consideration of the expected future development, the Group has adopted the plan to construct a HA industrial park in Jinan City, the PRC and has succeeded in the bid for the acquisition of respective land use right (106,453 square metres) on 28 June 2012. Details of the acquisition of land use rights in the PRC by the Group are set out in the announcement of the Company dated 28 June 2012. This will help to develop HA raw materials and end products and enhance their respective production capacity. The expansion is expected to meet the increase in business scale and diversify development needs, and hence the Group will be able to enhance its competitiveness and achieve higher overall performance.

## FINANCIAL REVIEW

### Turnover

The Group's turnover for the six months ended 30 June 2012 was RMB143.843 million, representing an increase of 24.2% as compared to the corresponding period of 2011. The increase in turnover was mainly attributable to the increase in sales of cosmetic and injection products. The breakdown of the Group's turnover by products was as follows:

	Six months ended 30 June			
	2012		2011	
	RMB'000	%	RMB'000	%
Injection	<b>27,652</b>	<b>19.2</b>	12,553	10.8
Eye drop	<b>18,247</b>	<b>12.7</b>	17,955	15.5
Cosmetic	<b>81,851</b>	<b>56.9</b>	69,854	60.4
Food	<b>13,501</b>	<b>9.4</b>	12,317	10.6
HA oligosaccharide	<b>2,181</b>	<b>1.5</b>	2,929	2.5
Other	<b>411</b>	<b>0.3</b>	210	0.2
Total	<b>143,843</b>	<b>100.0</b>	115,818	100.0

### Cost of sales

Cost of sales for the six months ended 30 June 2012 was approximately RMB44.918 million, representing an increase of approximately 58.0% as compared to approximately RMB28.423 million for the corresponding period of 2011. The increase was mainly attributable to the increase in sales volume.

### Gross profit margin

The Group's gross profit margin for the six months ended 30 June 2012 decreased to 68.8% from 75.5% for the corresponding period of 2011. The decrease was mainly due to the decrease of unit sales price which was in line with the Group's marketing strategy.

### Other revenue

Other revenue of the Group was RMB3.261 million for the six months ended 30 June 2012, representing an increase of RMB0.778 million as compared to the corresponding period of 2011. The increase in other revenue was mainly attributable to interest income of RMB1.357 million from the available-for-sale investments for the six months ended 30 June 2012. No such kind of income was earned in the corresponding period of 2011.

### Distribution costs

The Group's distribution costs for the six months ended 30 June 2012 were RMB12.462 million, representing an increase of approximately 65.1% from approximately RMB7.549 million for the corresponding period of 2011. The increase was in line with the enhancement of marketing and promotion activities by the Group.

### Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2012 were approximately RMB16.820 million, representing an increase of approximately 46.8% from approximately RMB11.455 million for the corresponding period of 2011. The increase in administrative expenses was mainly due to the increase in staff cost resulted from salary increment and recruitment of additional staff, as well as the increase in various administrative expenses relating to the business development.

### Other operating expenses

The Group's other operating expenses for the six months ended 30 June 2012 were approximately RMB0.355 million, representing an decrease of approximately 69.4% from approximately RMB1.160 million for the corresponding period of 2011. The decrease in other operating expenses was mainly attributable to the decrease in the exchange loss.

### Finance costs

The Group's finance costs for the six months ended 30 June 2012 were approximately RMB4.495 million, representing an increase of approximately 1.1% from approximately RMB4.448 million for the corresponding period of 2011. The Group's finance costs represented the dividends on the preferred shares.

### Profit for the period

The Group's profit for the six months ended 30 June 2012 was approximately RMB56.407 million, representing an increase of approximately 6.5% from approximately RMB52.960 million for the corresponding period of 2011.

### Liquidity and financial resources

As at 30 June 2012, the current assets of the Group were approximately RMB284.698 million (31 December 2011: RMB254.870 million) and current liabilities of approximately RMB40.619 million (31 December 2011: RMB43.983 million). As at 30 June 2012, the current ratio of the Group was approximately 700.9% (31 December 2011: 579.5%). The increase in current ratio was mainly due to the increase in trade and other receivables and available-for-sale investments.

As at 30 June 2012, cash and cash equivalents of the Group were approximately RMB86.077 million (31 December 2011: RMB188.810 million), of which 63% (31 December 2011: 82%) was denominated in RMB, 27% (31 December 2011: 15%) in Hong Kong dollars, 9% (2010: 2%) in United States dollars ("USD") and 1% (2010: 1%) in Japanese Yen ("JPY"). Total liabilities were approximately RMB84.439 million (31 December 2011: RMB91.966 million).

The Group's gearing ratio (calculated by dividing total liabilities by total assets) as at 30 June 2012 was 19.7% (31 December 2011: 24.1%).

Net cash generated from operating activities for the six months ended 30 June 2012 was approximately RMB30.293 million (six months ended 30 June 2011: RMB35.633 million). Net cash outflow to investing activities for the six months ended 30 June 2012 was approximately RMB121.902 million (six months ended 30 June 2011: RMB8.107 million). Net cash outflow to financing activities for the six months ended 30 June 2012 was approximately RMB11.275 million (six months ended 30 June 2011: RMB12.230 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 2012, the Group did not have any bank borrowing.

#### Exchange risk exposure and contingent liabilities

The sales of the Group were principally in RMB, USD and JPY, 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 2012, the Group had no contingent liabilities.

#### Capital commitment

As at 30 June 2012, the capital commitment of the Group was RMB44.539 million (31 December 2011: RMB10.217 million).

#### Employee information

As at 30 June 2012, the Group had 322 employees (31 December 2011: 290 employees) and the majority of whom were stationed in the PRC. Total remuneration for the six months ended 30 June 2012 amounted to RMB12.222 million (six months ended 30 June 2011: RMB10.625 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 individual's performance.

#### Charge on assets

As at 30 June 2012, the Group did not have any charge on its assets (31 December 2011: Nil).

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

During the six months ended 30 June 2012, 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 2012, 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 of Hong Kong Limited (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 the shares of the Company

Name of Director	Nature of interest	Number of shares held/ interested in	Approximate percentage of the issued share capital of the Company
Ms. Zhao Yan ("Ms. Zhao")	Interest of a controlled corporation ( <i>Note 2</i> )	182,520,000 (L) ( <i>Note 1</i> )	58.5%
Ms. Liu Aihua ("Ms. Liu")	Interest of a controlled corporation ( <i>Note 3</i> )	4,914,000 (L)	1.58%

Notes:

- (1) The letter "L" denotes a long position in the shares of the Company.
- (2) The 182,520,000 shares of the Company are held by AIM First Investments Limited ("AFI"), which is wholly-owned by Ms. Zhao. Therefore, Ms. Zhao is deemed, or taken to be, interested in all the shares of the Company which are beneficially owned by AFI for the purposes of the SFO.
- (3) The 4,914,000 shares of the Company are held by Forever Shining Holdings Limited ("Forever Shining"), which is owned as to 42.86% by Ms. Liu. Therefore, Ms. Liu is deemed, or taken to be, interested in all the shares of the Company which are beneficially owned by Forever Shining for the purpose of the SFO.

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

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

Save as disclosed above, as at 30 June 2012, 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 Part XV 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 2012, 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/ interested in	Approximate percentage of the issued share capital of the Company
<b>Substantial shareholders</b>			
AFI ( <i>Note 2</i> )	Beneficial owner	182,520,000 (L) ( <i>Note 1</i> )	58.5%
Mr. Wang Yi ( <i>Note 3</i> ) ("Mr. Wang")	Interest of spouse	182,520,000 (L)	58.5%
<b>Others</b>			
Managecorp Limited ("Managecorp") ( <i>Note 4</i> )	Trustee of discretionary trust	28,080,000 (L)	9%
Mr. Cheng Bo ("Mr. Cheng") ( <i>Note 4</i> )	Founder of discretionary trust	28,080,000 (L)	9%
Newgrand Holdings Limited ("Newgrand") ( <i>Note 4</i> )	Beneficial owner	28,080,000 (L)	9%
Ms. Zhu Jinrong ( <i>Note 5</i> ) ("Ms. Zhu")	Interest of spouse	28,080,000 (L)	9%

Notes:

- (1) The letter "L" denotes a long position in the shares of the Company.
- (2) AFI is wholly-owned by Ms. Zhao. Ms. Zhao is the sole director of AFI.
- (3) Mr. Wang is the spouse of Ms. Zhao. Under the SFO, Mr. Wang is deemed, or taken to be, interested in all the shares of the Company in which Ms. Zhao is interested.
- (4) The 28,080,000 shares of the Company are beneficially owned by Newgrand, which is wholly-owned by Managecorp acting as the trustee of the discretionary trust set up by Mr. Cheng. Accordingly, Managecorp, as the trustee of the discretionary trust, and Mr. Cheng, as the founder of the discretionary trust, are deemed, or taken to be, interested in the 28,080,000 shares under the SFO.
- (5) Ms. Zhu is the spouse of Mr. Cheng. Under the SFO, Ms. Zhu is deemed, or taken to be, interested in all the shares of the Company in which Mr. Cheng is interested.

Save as disclosed above, as at 30 June 2012, 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

No share option was exercised, lapsed, cancelled or granted by the Company under the share option scheme (the "Scheme") during the six months ended 30 June 2012. There was no outstanding share option under the Scheme as at 30 June 2012.

### INTERIM DIVIDEND

The Board does not recommend the declaration or payment of an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

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

For the six months ended 30 June 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

### CORPORATE GOVERNANCE

The Company had complied with all the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the period from 1 January 2012 to 31 March 2012. The Code had been amended which took effect from 1 April 2012 (the "Revised Code"). The Company had complied with all the code provisions as set out in the Revised Code during the period from 1 April 2012 to 30 June 2012 except for code provision A.6.7 as one of the three independent non-executive Directors did not attend the annual general meeting held on 18 May 2012 due to other commitments. Code provision A.6.7 of the Revised Code provides that the independent non-executive Directors and the non-executive Directors should attend the general meetings of the Company.

### AUDIT COMMITTEE

The primary duties of the audit committee of the Company (the "Audit Committee") are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee comprises three independent non-executive Directors, namely Mr. Qin Bin, Ms. Zhan Lili and Mr. Jin Xuekun. Mr. Qin Bin, who possesses rich financial management experience and relevant expertise, is the chairman of the Audit Committee.

## NOMINATION COMMITTEE

The primary duties of the nomination committee of the Company (the "Nomination Committee") are to make recommendations to the Board on the appointment of Directors and management of the Board's succession and to ensure that the candidates to be nominated as Directors are experienced, high calibre individuals. The Nomination Committee comprises Ms. Liu Aihua, an executive Director and two independent non-executive Directors, namely Mr. Zhang Fuping and Mr. Jin Xuekun. Mr. Zhang Fuping is the chairman of the Nomination Committee.

## REMUNERATION COMMITTEE

The primary duties of the remuneration committee of the Company (the "Remuneration Committee") are to regularly make recommendations to the Board on the Company's policy and structure for the remuneration of all the Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy. The Remuneration Committee comprises Ms. Wang Aihua, an executive Director and two independent non-executive Directors, namely Mr. Jin Xuekun and Mr. Qin Bin. Mr. Jin Xuekun 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 enquiries to all Directors, the Directors have confirmed that they have complied with the Model Code during the six months ended 30 June 2012. 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 2012. 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*

23 August 2012

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2012-unaudited

	Note	Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
<b>Turnover</b>	4	<b>143,843</b>	115,818
Cost of sales		<b>(44,918)</b>	(28,423)
<b>Gross profit</b>		<b>98,925</b>	87,395
Other revenue	5	<b>3,261</b>	2,483
Distribution costs		<b>(12,462)</b>	(7,549)
Administrative expenses		<b>(16,820)</b>	(11,455)
Other operating expenses		<b>(355)</b>	(1,160)
<b>Profit from operations</b>		<b>72,549</b>	69,714
Finance costs	6(a)	<b>(4,495)</b>	(4,448)
<b>Profit before taxation</b>	6	<b>68,054</b>	65,266
Income tax	7	<b>(11,647)</b>	(12,306)
<b>Profit for the period</b>		<b>56,407</b>	52,960
<b>Other comprehensive income for the period:</b>			
Exchange differences on translation of financial statements of foreign operations		<b>113</b>	(751)
<b>Total comprehensive income for the period</b>		<b>56,520</b>	52,209
<b>Profit attributable to:</b>			
Equity shareholders of the Company		<b>56,409</b>	52,962
Non-controlling interests		<b>(2)</b>	(2)
<b>Profit for the period</b>		<b>56,407</b>	52,960
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Company		<b>56,526</b>	52,209
Non-controlling interests		<b>(6)</b>	—
<b>Total comprehensive income for the period</b>		<b>56,520</b>	52,209
<b>Basic and diluted earnings per share (RMB)</b>	8	<b>0.18</b>	0.17

The notes on pages 19 to 31 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 2012-unaudited

		<b>At 30 June 2012</b>	At 31 December 2011
	Note	<b>RMB'000</b>	RMB'000
<b>Non-current assets</b>			
Property, plant and equipment, net	9	<b>108,513</b>	108,383
Construction in progress		<b>13,097</b>	6,672
Intangible assets		<b>642</b>	686
Lease prepayments	16(a)(i)	<b>21,450</b>	11,585
<b>Total non-current assets</b>		<b>143,702</b>	127,326
<b>Current assets</b>			
Inventories		<b>34,554</b>	30,416
Trade and other receivables	10	<b>63,067</b>	35,644
Available-for-sale investments	11	<b>101,000</b>	—
Cash and cash equivalents	12	<b>86,077</b>	188,810
<b>Total current assets</b>		<b>284,698</b>	254,870
<b>Current liabilities</b>			
Trade and other payables	13	<b>26,406</b>	33,868
Current portion of preferred shares	14	<b>9,158</b>	8,480
Income tax payable		<b>5,055</b>	1,635
<b>Total current liabilities</b>		<b>40,619</b>	43,983
<b>Net current assets</b>		<b>244,079</b>	210,887
<b>Total assets less current liabilities</b>		<b>387,781</b>	338,213

The notes on pages 19 to 31 form part of this interim financial report.

**CONSOLIDATED BALANCE SHEET** (continued)

at 30 June 2012-unaudited

		<b>At 30 June</b>	At 31 December
		<b>2012</b>	2011
	Note	<b>RMB'000</b>	RMB'000
<b>Non-current liabilities</b>			
Deferred income		<b>2,255</b>	1,755
Deferred tax liabilities		<b>547</b>	547
Preferred shares	14	<b>41,018</b>	45,681
<b>Total non-current liabilities</b>		<b>43,820</b>	47,983
<b>NET ASSETS</b>			
		<b>343,961</b>	290,230
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>2,801</b>	2,801
Reserves		<b>341,078</b>	287,341
<b>Total equity attributable to equity shareholders of the Company</b>		<b>343,879</b>	290,142
<b>Non-controlling interests</b>		<b>82</b>	88
<b>TOTAL EQUITY</b>		<b>343,961</b>	290,230

Approved and authorised for issue by the board of directors on 23 August 2012.

**Zhao Yan**  
Director

**Liu Aihua**  
Director

The notes on pages 19 to 31 form part of this interim financial report.



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2012-unaudited

		Attributable to equity shareholders of the Company							Non-	Total
		Share	Share	Statutory	Other	Exchange	Retained	Total	controlling	equity
Note		capital	premium	reserves	reserve	reserve	earnings	RMB'000	interests	RMB'000
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<b>Balance at 1 January 2011</b>	2,801	50,187	18,166	21,210	(667)	132,172	223,869	—	223,869
	<b>Changes in equity for the six months ended 30 June 2011:</b>									
	Profit for the period	—	—	—	—	—	52,962	52,962	(2)	52,960
	Other comprehensive income	—	—	—	—	(753)	—	(753)	2	(751)
	Total comprehensive income for the period	—	—	—	—	(753)	52,962	52,209	—	52,209
	Contribution from non-controlling interests	—	—	—	—	—	—	—	85	85
	Appropriation to statutory reserves	—	—	6,175	—	—	(6,175)	—	—	—
	Dividends for the year ended 31 December 2010	15(b)	—	—	—	—	(4,462)	(4,462)	—	(4,462)
	Transactions with equity holders of the Group	—	—	6,175	—	—	(10,637)	(4,462)	85	(4,377)
	<b>Balance at 30 June 2011 and 1 July 2011</b>	2,801	50,187	24,341	21,210	(1,420)	174,497	271,616	85	271,701
	<b>Changes in equity for the six months ended 31 December 2011:</b>									
	Profit for the period	—	—	—	—	—	19,666	19,666	(1)	19,665
	Other comprehensive income	—	—	—	—	(1,140)	—	(1,140)	4	(1,136)
	Total comprehensive income for the period	—	—	—	—	(1,140)	19,666	18,526	3	18,529
	<b>Balance at 31 December 2011</b>	2,801	50,187	24,341	21,210	(2,560)	194,163	290,142	88	290,230

The notes on pages 19 to 31 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

for the six months ended 30 June 2012-unaudited

		Attributable to equity shareholders of the Company								
		Share	Share	Statutory	Other	Exchange	Retained		Non-	Total
		capital	premium	reserves	reserve	reserve	earnings	Total	controlling	equity
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Balance at 1 January 2012	2,801	50,187	24,341	21,210	(2,560)	194,163	290,142	88	290,230
<b>Changes in equity for the six months ended 30 June 2012:</b>										
	Profit for the period	—	—	—	—	—	56,409	56,409	(2)	56,407
	Other comprehensive income	—	—	—	—	117	—	117	(4)	113
	Total comprehensive income for the period	—	—	—	—	117	56,409	56,526	(6)	56,520
	Appropriation to statutory reserves	—	—	9,109	—	—	(9,109)	—	—	—
	Dividends for the year ended 31 December 2011	—	—	—	—	—	(2,789)	(2,789)	—	(2,789)
15(b)	Transactions with equity holders of the Group	—	—	9,109	—	—	(11,898)	(2,789)	—	(2,789)
	<b>Balance at 30 June 2012</b>	<b>2,801</b>	<b>50,187</b>	<b>33,450</b>	<b>21,210</b>	<b>(2,443)</b>	<b>238,674</b>	<b>343,879</b>	<b>82</b>	<b>343,961</b>

The notes on pages 19 to 31 form part of this interim financial report.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2012-unaudited

	Note	Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
<b>Cash generated from operations</b>		<b>38,281</b>	46,697
PRC income tax paid		<b>(8,227)</b>	(11,368)
Interest received		<b>239</b>	304
		<hr/>	<hr/>
<b>Net cash generated from operating activities</b>		<b>30,293</b>	35,633
<b>Net cash used in investing activities</b>		<b>(121,902)</b>	(8,107)
<b>Net cash used in financing activities</b>		<b>(11,275)</b>	(12,230)
		<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>		<b>(102,884)</b>	15,296
<b>Cash and cash equivalents at 1 January</b>	12	<b>188,810</b>	134,388
<b>Effect of foreign exchange rate changes</b>		<b>151</b>	(856)
		<hr/>	<hr/>
<b>Cash and cash equivalents at 30 June</b>	12	<b>86,077</b>	148,828
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 19 to 31 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 subsidiary, Bloomage Freda Biopharmaceutical Co., Ltd. (formerly "Shandong Freda Biopharmaceutical Co., Ltd.") ("Freda Biopharm"), was 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 23 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 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 2011 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 (the "Directors") is included on page 32.

The financial information relating to the financial year ended 31 December 2011 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 2011 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 March 2012.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (continued)**3 CHANGES IN ACCOUNTING POLICIES**

The IASB has issued a few amendments to IFRSs 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:

- Amendments to IFRS 7, *Financial instruments: Disclosures-Transfers of financial assets*

*Amendments to IFRS 7 Financial instruments: disclosures*

The amendments to IFRS 7 require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

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

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

## 4 TURNOVER AND SEGMENT REPORTING

## (a) 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	
	2012	2011
	RMB'000	RMB'000
Hyaluronic acid ("HA") products	143,432	115,608
Heparin products	—	19
Others	411	191
	<u>143,843</u>	<u>115,818</u>

## (b) 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 2012, 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 TURNOVER AND SEGMENT REPORTING (continued)

## (b) 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 2012				Total RMB'000
	Domestic	Overseas			
	RMB'000	Asia RMB'000	Americas RMB'000	Others RMB'000	
Turnover	<u>97,685</u>	<u>22,173</u>	<u>18,755</u>	<u>5,230</u>	<u>143,843</u>
Segment result	<u>71,715</u>	<u>13,024</u>	<u>9,873</u>	<u>2,747</u>	<u>97,359</u>
Unallocated income and expenses					<u>(24,810)</u>
Profit from operations					<u>72,549</u>
Finance costs					<u>(4,495)</u>
Income tax					<u>(11,647)</u>
Profit for the period					<u><u>56,407</u></u>
	Six months ended 30 June 2011				
	Domestic	Overseas			Total
	RMB'000	Asia RMB'000	Americas RMB'000	Others RMB'000	RMB'000
Turnover	<u>70,718</u>	<u>17,308</u>	<u>10,597</u>	<u>17,195</u>	<u>115,818</u>
Segment result	<u>57,858</u>	<u>11,744</u>	<u>5,983</u>	<u>10,804</u>	<u>86,389</u>
Unallocated income and expenses					<u>(16,675)</u>
Profit from operations					<u>69,714</u>
Finance costs					<u>(4,448)</u>
Income tax					<u>(12,306)</u>
Profit for the period					<u><u>52,960</u></u>

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

## 5 OTHER REVENUE

	Note	Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
Government grants	(a)	68	735
Interest income on cash at bank		239	304
Interest income on available-for-sale investments		1,357	—
Rental income		1,179	1,213
Others		418	231
		<u>3,261</u>	<u>2,483</u>

## (a) Government grants

The grants represented an incentive of RMB68,000 in relation to the Group's development of its export business (six months ended 30 June 2011: an award of RMB735,000 in relation to the technical achievement on the research and development of HA products) received by Freda Biopharm during the six months ended 30 June 2012.

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.

## 6 PROFIT BEFORE TAXATION

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

## (a) Finance costs

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Dividends on preferred shares (Note 14)	<u>4,495</u>	<u>4,448</u>



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

## 6 PROFIT BEFORE TAXATION (continued)

## (b) Staff costs

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Salaries, wages and other benefits	11,166	9,675
Contributions to defined contribution retirement plans	1,056	950
	<u>12,222</u>	<u>10,625</u>

## (c) Other items

	Note	Six months ended 30 June	
		2012	2011
		RMB'000	RMB'000
Amortisation			
– intangible assets		44	44
– lease prepayments		135	135
Depreciation	(i)	5,025	4,803
Net foreign exchange (gain)/loss		(80)	856
Net (gain)/loss on disposal of property, plant and equipment		(6)	6
Operating lease charges in respect of leased property, plant and equipment		577	125
Research and development costs	(i)	<u>3,495</u>	<u>2,904</u>

- (i) Research and development costs for the six months ended 30 June 2012 included RMB2,173,000 (six months ended 30 June 2011: RMB1,973,000) relating to staff costs and depreciation, which amounts were also included in the respective total amounts disclosed separately in Note 6(b) or above for each of these types of expenses.

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

## 7 INCOME TAX

Taxation in the consolidated statement of comprehensive income represents:

	<b>Six months ended 30 June</b>	
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
<b>Current tax - PRC income tax</b>		
Provision for the period	<b>11,647</b>	13,971
<b>Deferred tax</b>		
Origination and reversal of temporary difference	—	(1,665)
	<b>11,647</b>	12,306

- (i) Provision for PRC income tax is based on a statutory rate of 25% of the assessable profit of the subsidiaries of the Group established in the PRC (the "PRC subsidiaries").

Pursuant to the notice [Lu Ke Gao Zi (2011) No.206] 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 31 October 2011, Freda Biopharm has satisfied certain conditions in the income tax law and was granted the qualification of advanced and new technology enterprise. Freda Biopharm was therefore entitled to a concession on PRC income tax of 10% for the three years from 1 January 2011 to 31 December 2013. Accordingly, the applicable PRC income tax rate of Freda Biopharm for the six months ended 30 June 2012 is 15% (six months ended 30 June 2011: 15%).

- (ii) Pursuant to the PRC income 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 or 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").

Under the Sino-Hong Kong Double Tax Arrangement and the relevant regulations, a Hong Kong company will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong company is the "beneficial owner" and holds 25% of equity interests or more of the PRC company directly.

As approved by the National Taxation Bureau of Jinan City on 8 December 2011, Tactful World Limited ("Tactful"), a Hong Kong company as the equity holder of Freda Biopharm, is subject to a tax rate of 5% for the dividends received from Freda Biopharm after 8 December 2011. For the dividends received by Tactful during 1 January 2011 and 8 December 2011, the applicable tax rate was 10%.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (continued)**7 INCOME TAX** (continued)

During the six months ended 30 June 2012, the Group has not provided for withholding tax (six months ended 30 June 2011: RMB1,735,000) in respect of profits earned by the Freda Biopharm.

As at 30 June 2012, temporary differences relating to the undistributed profits of Freda Biopharm amounted to RMB99,599,000 (31 December 2011: RMB47,726,000). Deferred tax liabilities of RMB4,980,000 (31 December 2011: RMB1,839,000) 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 2012 (six months ended 30 June 2011: Nil).

**8 EARNINGS PER SHARE**

The calculation of basic earnings per share for the six months ended 30 June 2012 is based on the profit attributable to equity shareholders of the Company of RMB56,409,000 (six months ended 30 June 2011: RMB52,962,000) and the 312,000,000 ordinary shares in issue of the Company during the interim period (six months ended 30 June 2011: 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.

**9 PROPERTY, PLANT AND EQUIPMENT, NET****(a) Acquisitions and disposals**

During the six months ended 30 June 2012, the Group acquired items of property, plant and equipment with a cost of RMB622,000 (six months ended 30 June 2011: RMB1,372,000). Items of property, plant and equipment with a net book value of RMB17,000 were disposed of during the six months ended 30 June 2012 (six months ended 30 June 2011: RMB19,000).

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

During the six months ended 30 June 2012, construction in progress with a cost of RMB4,550,000 (six months ended 30 June 2011: Nil) were completed and transferred to property, plant and equipment.

- (c) As at 30 June 2012, property certificates of certain properties of the Group with an aggregate net book value of RMB402,000 (31 December 2011: RMB419,000) are yet to be obtained.

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

## 10 TRADE AND OTHER RECEIVABLES

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

	<b>At 30 June</b>	At 31 December
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Current	<b>54,160</b>	16,170
1 to 3 months overdue	<b>1,817</b>	10,312
3 to 6 months overdue	<b>430</b>	5,039
6 months to 1 year overdue	<b>10</b>	102
	<hr/>	<hr/>
Trade and bills receivable	<b>56,417</b>	31,623
Prepayments and other receivables	<b>4,839</b>	3,388
Other receivables due from related parties	<b>1,811</b>	633
	<hr/>	<hr/>
	<b>63,067</b>	35,644
	<hr/> <hr/>	<hr/> <hr/>

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

## 11 AVAILABLE-FOR-SALE INVESTMENTS

These represented two principal-guaranteed banking products purchased by the Group, one of which is in the amount of RMB73,000,000 with a term from 1 June 2012 to 17 September 2012, and the other is in the amount of RMB28,000,000 with a term from 23 May 2012 to 28 September 2012. These banking products invested in the bonds traded in the inter-bank bond market in the PRC.

## 12 CASH AND CASH EQUIVALENTS

	<b>At 30 June</b>	At 31 December
	<b>2012</b>	2011
	<b>RMB'000</b>	RMB'000
Cash at bank and on hand	<b>86,077</b>	188,810
	<hr/> <hr/>	<hr/> <hr/>

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Trade payable to:		
– related parties	6,907	4,518
– third parties	5,732	10,878
	<u>12,639</u>	15,396
Payables for construction of plant and purchase of equipment	4,573	5,238
Receipts in advance	133	1,973
Value added tax payable	1,476	142
Other payables due to related parties	470	295
Accrued expenses and other payables	7,115	10,824
	<u>26,406</u>	<u>33,868</u>

The ageing analysis of trade payable is as follows:

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Due within 1 month or on demand	<u>12,639</u>	<u>15,396</u>

## 14 PREFERRED SHARES

	Six months ended 30 June	
	2012 RMB'000	2011 RMB'000
At 1 January	54,161	53,044
Dividends during the period (Note 6(a))	4,495	4,448
Payment of dividends of preferred shares	(8,480)	(7,853)
	<u>50,176</u>	49,639
Less: current portion of preferred shares	(9,158)	(8,480)
At 30 June	<u>41,018</u>	<u>41,159</u>

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

## 14 PREFERRED SHARES (continued)

## (a) Amount due to the holder of the preferred shares

The present value of the amount due to the holder of the preferred shares of Freda Biopharm is repayable as follows:

	<b>At 30 June 2012 RMB'000</b>	At 31 December 2011 RMB'000
Within 1 year	<b>9,158</b>	8,480
After 1 year but within 5 years	<b>25,972</b>	31,366
After 5 years	<b>15,046</b>	14,315
	<b><u>50,176</u></b>	<u>54,161</u>

## 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 2012 (six months ended 30 June 2011: 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 2012 RMB'000</b>	2011 RMB'000
2011 final dividends, approved and paid during the interim period, of HK\$0.011 per ordinary share (2010 final dividends: HK\$0.017 per ordinary share)	<b><u>2,789</u></b>	<u>4,462</u>

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

## 16 COMMITMENTS

- (a) Capital commitments outstanding at 30 June 2012 not provided for in the interim financial report were as follows:

		<b>At 30 June 2012</b>	At 31 December 2011
	Note	<b>RMB'000</b>	RMB'000
Authorised and contracted for		<b>7,739</b>	9,117
Authorised but not contracted for	(i)	<b>36,800</b>	1,100
		<b>44,539</b>	10,217

- (i) The amount at 30 June 2012 represented the outstanding commitments on the acquisition of a land use right in Jinan City, the PRC. The total consideration was RMB46,800,000 and RMB10,000,000 has been paid and included in "Lease prepayments".

- (b) At 30 June 2012, the total future minimum lease payments under non-cancellable operating lease are payable as follows:

	<b>At 30 June 2012</b>	At 31 December 2011
	<b>RMB'000</b>	RMB'000
Within 1 year	<b>1,924</b>	—
After 1 year but within 5 years	<b>1,154</b>	—
	<b>3,078</b>	—

The Group leases certain properties and motor vehicles under operating leases. The leases typically run for an initial period of 1 to 3 years, where all terms are renegotiated upon renewal. None of the leases includes contingent rentals.

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT** (continued)**17 MATERIAL RELATED PARTY TRANSACTIONS**

The Group leased out part of the buildings and plant to Shandong Freda Pharmaceuticals Group Company Limited (“SFP”), the holder of the preferred shares of Freda Biopharm, and its subsidiaries. In term of related party transactions and balances, the amount of rental income earned by the Group for the six months ended 30 June 2012 was RMB1,178,000 (six months ended 30 June 2011: RMB1,178,000) and the corresponding receivable balance at 30 June 2012 was RMB1,811,000 (31 December 2011: RMB633,000).

The Group purchased raw materials from Shandong Freda Biotechnology Co., Ltd., which is a subsidiary of SFP. In term of related party transactions and balances, the amount of purchase by the Group for the six months ended 30 June 2012 was RMB22,082,000 (six months ended 30 June 2011: RMB9,820,000) and the corresponding payable balance at 30 June 2012 was RMB6,907,000 (31 December 2011: RMB4,518,000).

The Group entered into a two-year agreement in respect of lease of certain leasehold properties from Beijing Bloomage Central Property Management Co., Ltd. (“BBC”), an affiliate of an equity shareholder of the Company. The amount of rental expense incurred by the Group for the six months ended 30 June 2012 was RMB452,000 (six months ended 30 June 2011: Nil) and the corresponding payable balance at 30 June 2012 was RMB151,000 (31 December 2011: Nil).

The Group entered into a one-year contract with Beijing Zhaofengxingye Investment Consulting Co., Ltd. (“Beijing Zhaofeng”), an affiliate of a director of a wholly-owned subsidiary of the Group, Beijing Bloomage Hyinc Technology Co., Ltd. (formerly “Beijing Bloomage Hyinc Health and Technology Co., Ltd.”), from which the Group received consultancy service. The consultancy service charge incurred by the Group for the six months ended 30 June 2012 was RMB270,000 (six months ended 30 June 2011: Nil) and the corresponding amount of payable to Beijing Zhaofeng at 30 June 2012 was RMB180,000 (31 December 2011: 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.



## INDEPENDENT REVIEW REPORT

### 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 13 to 31 which comprises the consolidated balance sheet of Bloomage BioTechnology Corporation Limited as of 30 June 2012 and the related consolidated statement of comprehensive income and the consolidated 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 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

### KPMG

*Certified Public Accountants*

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Central, Hong Kong

23 August 2012