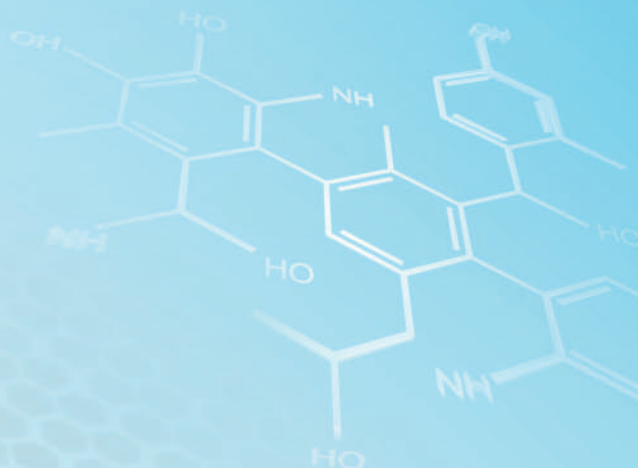
Bloomage BioTechnology Corporation Limited

華熙生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00963



INTERIM REPORT

2013

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Zhao Yan *(Chairman)*
Ms. Liu Aihua *(Chief Executive Officer)*
Ms. Wang Aihua

NON-EXECUTIVE DIRECTOR

Mr. Guo Jiajun

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

MEMBERS OF REMUNERATION COMMITTEE

Mr. Jin Xuekun *(Chairman)*
Mr. Qin Bin
Ms. Wang Aihua

MEMBERS OF NOMINATION COMMITTEE

Mr. Zhang Fuping *(Chairman)*
Mr. Jin Xuekun
Ms. Liu Aihua

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

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 subsidiaries are manufacturers of hyaluronic acid ("HA") in 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. Given that HA exhibits hydrating, lubricating, viscoelastic, pseudoplastic, biodegradable and biocompatible properties, it is widely used as raw materials/excipients in pharmaceutical, cosmetic and healthcare products. HA end products with HA as the main component include HA injection for orthopedic use, eye drops, ophthalmic surgery viscoelastic agent, injection cosmetic filler products, surgical anti-adhesion products, skin care products 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 major grades, namely injection grade, eye drop grade, cosmetic grade, food grade and HA oligosaccharide. For end products, the Group has successfully developed and obtained relevant qualifications for Hyaluronan Soft Tissue Filling Gel (trade name "BioHyalux"), Medical Sodium Hyaluronate Gel for ophthalmologic use (trade name "Hymois") and bone products for intra-articular injection (trade name "Hyprojoint").

BUSINESS REVIEW

For the six months ended 30 June 2013, the Group's turnover for the period amounted to approximately RMB185,330,000, representing an increase of approximately 28.8% as compared with approximately RMB143,843,000 in the corresponding period of 2012. Its profit for the six months ended 30 June 2013 increased by 30.2% from approximately RMB56,407,000 in the corresponding period of 2012 to approximately RMB73,414,000. The growth in net profit was mainly attributable to the new launch of BioHyalux with domestic sales and solid growth in sales of HA raw materials.

During the first half of 2013, the market environment remained unoptimistic with sluggish recovery of the world economy and limited growth in global market demand. The demand of domestic market in the PRC was also facing downside risk. Influenced by the slowdown of downstream cosmetic industry and international economic environment, business growth of HA raw materials business of the Group was hindered. Nevertheless, the Group has launched the end products BioHyalux by taking the timely advantage of the lack of strong industry growth momentum of the competitor and the sales channels gradually developed. Despite the negative impact brought by the economic environment, the Group expedited the expansion of HA end products market while consolidating the sales base of HA raw materials. Besides, the Group was proactive in recruiting and cultivating high-end professionals and encouraging development and innovation in order to achieve sustainable growth in the Group's results.

HA raw materials business - strengthening brand promotion, enhancement of research and development ("R&D") and qualification level and stabilisation for the development of raw materials

In the first half of 2013, the Group further strengthened the promotion through both domestic and foreign influential media advertisements, online advertisements, conference sponsorship, etc. and continued to enhance the Group's leading position in HA and its high-end brand image.

The Group consistently considered R&D as an important factor for sustainable development. With the high standards of R&D and innovation, the Group persistently improve the quality of existing products and production efficiency. Combining the market demand and development of the industry, the Group expanded its R&D effort not only by developing new applications of existing HA raw materials, but also developing new HA varieties and other new products that could utilize the existing market channels.

The Group continued to maintain a good qualification progress for HA raw materials. Last year, we obtained the PRC Good Manufacturing Practice ("GMP") certificate for eye drop grade HA raw materials and this year we have obtained GMP certificate for injection grade HA raw materials and passed the on-site inspection of the Korea Food and Drug Administration ("KFDA"). Besides, the industry standard for PRC cosmetic grade HA raw materials of which the Group was the first drafter has been issued.

HA end products business – innovative creative thinking, developing market and increasing sales

Regarding the marketing strategies of BioHyalux, the Group actively emphasized innovative thinking. Through the development and academic cooperation with well-known experts and public hospitals, the Group established a high-end and professional brand image. At the same time, we strengthen our cooperation with private medical institutions to utilize their advertisements and promotion activities to drive BioHyalux's advertisements and sales activities respectively. Taking advantage of the Group's resources, we launched the "mixed products" concept to cooperate intensely with medical institutions. Through the holding of various activities such as injection technology seminars, consultants forums, operators forums, etc., we provided various value-added services and innovative marketing strategies to institutions which promoted the sales of BioHyalux effectively. Given the accurate market positioning and implementation of effective marketing strategies, as at 30 June 2013, BioHyalux achieved a coverage of 74 cities and over 300 institutions and achieved sales of approximately RMB32,062,000 for the six months ended 30 June 2013.

Regarding the R&D of HA end products, with the focus on the HA filler BioHyalux, the Group carried out the R&D and qualification work smoothly in accordance with HA fillers series products of different levels and regions of injection. The Group obtained European Community Certificate ("CE Certificate") for three series of HA filler products, namely "BioHyalux Fine Line", "BioHyalux Lip" and "BioHyalux Deep Dermis". The Group also obtained the CE certificate for "Hyprojoint". The Group has started the registration procedures of other related prdoucts for China Food and Drug Administration ("CFDA").

Besides, the Group obtained Category I medical device production license and cosmetics qualification for its medical cold paste products. This provided the Group with technical and production protection to continue its extension for downstream end products.

BUSINESS OUTLOOK

The Board expects that the market is still full of challenges and opportunities in the second half of 2013.

The Group will further strengthen its sales and marketing teams of HA end products, on the basis of enlarging the current market coverage, the Group will further enhance the medical institution penetration and increase its market share. On the other hand, the Group will further strengthen the brand building aiming at end customers, so as to increase their awareness and knowledge about BioHyalux. Besides, the Group will expedite the development and application of related series of end products. The Group intends to set up a retail company in the PRC to promote its end products.

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 long-term development strategy, the Group will continue to develop and launch new products and projects, and actively explore other investment opportunities that are in line with its development strategy to achieve continuous enhancement of the Group's overall competitiveness and overall business performance.

FINANCIAL REVIEW

Turnover

The Group's turnover for the six months ended 30 June 2013 was approximately RMB185.330 million, representing an increase of approximately 28.8% as compared to the corresponding period of 2012. The increase in turnover was mainly attributable to the increase in sales of HA end products, eye drop and injection products. The breakdown of the Group's turnover by products was as follows:

	Six months ended 30 June			
	2013		2012	
	RMB'000	**%**	RMB'000	%
HA raw materials				
Injection	**29,427**	**15.9**	27,652	19.2
Eye drop	**25,391**	**13.7**	18,247	12.7
Cosmetic	**82,390**	**44.5**	81,851	56.9
Food	**12,157**	**6.5**	13,501	9.4
HA oligosaccharide	**2,271**	**1.2**	2,181	1.5
Other	**1,632**	**0.9**	411	0.3
HA end products – BioHyalux	**32,062**	**17.3**	—	—
Total	**185,330**	**100.0**	143,843	100.0

Cost of sales

Cost of sales for the six months ended 30 June 2013 was approximately RMB39.377 million, representing an decrease of approximately 12.3% as compared to approximately RMB44.918 million for the corresponding period of 2012. The decrease was mainly attributable to the enhancement of production efficiency.

Gross profit margin

The Group's gross profit margin for the six months ended 30 June 2013 increased to 78.8% from 68.8% for the corresponding period of 2012. The increase was mainly due to the increase in sales of HA end products with higher gross profit margin.

Other revenue

Other revenue of the Group was approximately RMB3.440 million for the six months ended 30 June 2013, representing an increase of approximately RMB0.179 million as compared to the corresponding period of 2012. The increase in other revenue was mainly attributable to the increase in government grant as compared to the six months ended 30 June 2012.

Distribution costs

The Group's distribution costs for the six months ended 30 June 2013 were approximately RMB23.057 million, representing an increase of approximately 85.0% from approximately RMB12.462 million for the corresponding period of 2012. The increase was mainly attributable to the increase in sales volume of the new business of HA end products which is in line with the Group's strategy on promotion enhancement and business development.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2013 were approximately RMB29.900 million, representing an increase of approximately 77.8% from approximately RMB16.820 million for the corresponding period of 2012. The increase in administrative expenses was mainly due to the increase in staff costs and the increase in various administrative expenses relating to the new business of HA end products, as well as the increase in R&D expenses.

Other operating expenses

The Group's other operating expenses for the six months ended 30 June 2013 were approximately RMB1.994 million, representing an increase of approximately 461.7% from approximately RMB0.355 million for the corresponding period of 2012. The increase in other operating expenses was mainly attributable to the increase in the exchange loss.

Finance costs

The Group's finance costs for the six months ended 30 June 2013 were approximately RMB4.802 million, representing an increase of approximately 6.8% from approximately RMB4.495 million for the corresponding period of 2012. The Group's finance costs mainly represented the dividends on the preferred shares.

Profit for the period

The Group's profit for the six months ended 30 June 2013 was approximately RMB73.414 million, representing an increase of approximately 30.2% from approximately RMB56.407 million for the corresponding period of 2012.

Liquidity and financial resources

As at 30 June 2013, the current assets of the Group were approximately RMB361.109 million (31 December 2012: approximately RMB259.290 million) and current liabilities of approximately RMB134.159 million (31 December 2012: approximately RMB48.669 million). As at 30 June 2013, the current ratio of the Group was approximately 269.2% (31 December 2012: approximately 532.8%). The decrease in current ratio was mainly due to the increase in bank loan and trade and other payables.

As at 30 June 2013, cash and cash equivalents of the Group were approximately RMB130.753 million (31 December 2012: approximately RMB120.810 million), of which approximately 87% (31 December 2012: approximately 69%) was denominated in RMB, approximately 9% (31 December 2012: approximately 13%) in Hong Kong dollars, approximately 2% (31 December 2012: approximately 15%) in United States dollars ("USD") and approximately 2% (31 December 2012: approximately 3%) in Japanese Yen ("JPY").

Total liabilities were approximately RMB207.499 million (31 December 2012: approximately RMB97.286 million). The Group's gearing ratio (calculated by dividing total liabilities by total assets) as at 30 June 2013 was approximately 31.1% (31 December 2012: approximately 20.5%). The increase in gearing ratio as at 30 June 2013 as compared to that as at 31 December 2012 was principally attributable to the increase in trade and other payables, deferred income and bank loan.

Net cash generated from operating activities for the six months ended 30 June 2013 was approximately RMB52.202 million (six months ended 30 June 2012: approximately RMB30.293 million). Net cash outflow to investing activities for the six months ended 30 June 2013 was approximately RMB73.000 million (six months ended 30 June 2012: approximately RMB121.902 million). Net cash inflow to financing activities for the six months ended 30 June 2013 was approximately RMB31.956 million (six months ended 30 June 2012: cash outflow of approximately RMB11.275 million).

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

Exchange risk exposure and contingent liabilities

The 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 2013, the Group had no contingent liabilities (31 December 2012: Nil).

Capital commitment

As at 30 June 2013, the capital commitment for construction of property, plant and equipment of the Group was approximately RMB170.601 million (31 December 2012: approximately RMB226.300 million).

Employee information

As at 30 June 2013, the Group had 393 employees (31 December 2012: 382 employees) and the majority of whom were stationed in the PRC. Total remuneration for the six months ended 30 June 2013 amounted to RMB26.925 million (six months ended 30 June 2012: approximately RMB12.222 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 2013, the Group has pledged bank deposit of RMB36 million for the bank loan borrowed from a bank.

Material acquisitions and disposal of subsidiaries and associated companies

During the six months ended 30 June 2013, there was no material acquisition and disposal of subsidiaries and associated companies by the Group.

Continuing connected transactions

On 28 May 2012, Beijing Bloomage Hyinc Technology Company Limited ("Beijing Bloomage Hyinc"), an indirectly wholly-owned subsidiary of the Company, entered into a property leasing agreement (the "Old Property Leasing Agreement") with Beijing Bloomage Central Property Management Co., Ltd. ("Bloomage Property"), pursuant to which, Bloomage Property agreed to lease certain properties located in Beijing, the PRC to Beijing Bloomage Hyinc for a term of two years commencing from 1 January 2012 to 31 December 2013 at an annual rental of RMB1,398,139. As Bloomage Property is ultimately owned as to approximately 98.02% by Ms. Zhao Yan, a controlling shareholder of the Company, the chairman of the Company and an executive Director, Bloomage Property is a connected person of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

On 18 January 2013, Beijing Bloomage Hyinc and Bloomage Property entered into two termination agreements terminating the Old Property Leasing Agreement.

On the same date, Beijing Bloomage Hyinc entered into a new property leasing agreement (the "New Property Leasing Agreement") with Bloomage Property, pursuant to which Beijing Bloomage Hyinc leases from Bloomage Property certain properties located in Beijing, the PRC as office for a term of 3 years from 1 January 2013 to 31 December 2015 at an annual rental of RMB6,252,261.6.

Details of the above transactions are set out in the announcements of the Company dated 28 May 2012 and 18 January 2013.

Exercise of unlisted warrants

On 8 October 2012, the Company issued 20,000,000 warrants to Perfect Good Investment Limited ("Perfect Good"). Each of the warrant carried the right to subscribe for one share of the Company at the exercise price of HK$2.65 per share (subject to adjustment) for a period of 12 months from the date of issue of the warrants.

5,000,000, 5,000,000 and 10,000,000 warrants had been exercised by Perfect Good on 18 June 2013, 11 July 2013, and 8 August 2013, respectively. All the outstanding warrants were exercised.

Details of the issue of unlisted warrants by the Company are set out in the announcements of the Company dated 19 September 2012 and 8 October 2012.

Amendment to the terms of reference of the Nomination Committee of the Company

The terms of reference of the nomination committee of the Company (the "Nomination Committee") was amended on 22 August 2013 to include the review of the Company's board diversity policy and the progress on achieving the objectives set for implementing the said policy as one of its duties.

OTHER INFORMATION

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

As at 30 June 2013, 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 required notification pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of Part XV of the SFO, to be entered in the register kept by the Company, or which were 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	Interest of a controlled corporation *(Note 2)*	182,520,000 (L) *(Note 1)*	57.58%
Ms. Liu Aihua	Interest of a controlled Corporation *(Note 3)*	4,914,000 (L)	1.55%
	Beneficial owner *(Note 3 and 4)*	2,190,000 (L)	0.69%
Mr. Guo Jiajun	Beneficial owner *(Note 4)*	700,000	0.22%
Ms. Wang Aihua	Beneficial owner *(Note 4)*	680,000	0.21%
Mr. Jin Xuekun	Beneficial owner *(Note 4)*	310,000	0.10%

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 Yan. 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 Aihua. Therefore, Ms. Liu Aihua 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. Ms Liu Aihua is taken to be interested as a grantee of options to subscribe 2,190,000 shares of the Company under the share option scheme of the Company.

(4) On 24 December 2012, 2,190,000, 700,000, 680,000 and 310,000 share options were granted to Ms. Liu Aihua, Mr. Guo Jiajun, Ms. Wang Aihua and Mr. Jin Xuekun respectively pursuant to the share option scheme of the Company.

(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 2013, 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 2013, 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
Substantial shareholders			
AFI *(Note 2)*	Beneficial owner	182,520,000 (L) *(Note 1)*	57.58%
Mr. Wang Yi (*Note 3)* ("Mr. Wang")	Interest of spouse	182,520,000 (L)	57.58%

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.

On 8 October 2012, 20,000,000 warrants of the Company (each of which carries the right to subscribe for one share, and in aggregate represented approximately 6.41% of the then existing issued capital of the Company) were issued to Perfect Good, details of which are set out in the announcement of the Company dated 19 September 2012 and 8 October 2012. On 18 June 2013, Perfect Good has exercised 5,000,000 warrants to subscribe 5,000,000 shares of the Company.

Save as disclosed above, as at 30 June 2013, the Directors 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

On 24 December 2012, 12,480,000 share options to subscribe for up to a total of 12,480,000 shares of the Company were granted to certain grantees under the share option scheme of the Company and each share option shall entitle the holder to subscribe for one share of the Company at the exercise price of HKD4.422 per Share. 50% of the share options may be exercised within the period from 25 December 2013 to 24 December 2017 and the remaining 50% of the share options may be exercised within the period from 25 December 2014 to 24 December 2017. Details of the grant of share options are set out in the announcement of the Company dated 24 December 2012.

INTERIM DIVIDEND

The Board does not recommend the declaration or payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2013, 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 applicable code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2013.

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 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 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 2013. 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 2013. 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

22 August 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2013-unaudited

	Note	Six months ended 30 June 2013 RMB'000	2012 RMB'000
Turnover	4	**185,330**	143,843
Cost of sales		**(39,377)**	(44,918)
Gross profit		**145,953**	98,925
Other revenue	5	**3,440**	3,261
Distribution costs		**(23,057)**	(12,462)
Administrative expenses		**(29,900)**	(16,820)
Other operating expenses		**(1,994)**	(355)
Profit from operations		**94,442**	72,549
Finance costs	6(a)	**(4,802)**	(4,495)
Profit before taxation	6	**89,640**	68,054
Income tax	7	**(16,226)**	(11,647)
Profit for the period		**73,414**	56,407
Other comprehensive income for the period (after tax adjustments):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations (net of income tax)		**(306)**	113
Total comprehensive income for the period		**73,108**	56,520
Profit attributable to:			
Equity shareholders of the Company		**73,415**	56,409
Non-controlling interests		**(1)**	(2)
Profit for the period		**73,414**	56,407
Total comprehensive income attributable to:			
Equity shareholders of the Company		**73,123**	56,526
Non-controlling interests		**(15)**	(6)
Total comprehensive income for the period		**73,108**	56,520
Earnings per share (RMB)			
Basic	8(a)	**0.235**	0.181
Diluted	8(b)	**0.224**	0.181

The notes on pages 22 to 41 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2013-unaudited

	Note	**At 30 June 2013 RMB'000**	At 31 December 2012 RMB'000
Non-current assets			
Property, plant and equipment, net	9	**124,741**	123,066
Construction in progress	10	**118,361**	27,950
Intangible assets		**1,058**	862
Lease prepayments		**62,433**	63,088
Total non-current assets		**306,593**	214,966
Current assets			
Inventories		**33,674**	32,722
Trade and other receivables	11	**97,682**	60,503
Available-for-sale financial assets	12	**63,000**	45,000
Restricted cash	13	**36,000**	255
Cash and cash equivalents	13	**130,753**	120,810
Total current assets		**361,109**	259,290
Current liabilities			
Secured bank loan	14	**36,000**	—
Trade and other payables	15	**80,902**	35,801
Current portion of preferred shares	16	**9,892**	9,159
Income tax payable		**7,365**	3,709
Total current liabilities		**134,159**	48,669
Net current assets		**226,950**	210,621
Total assets less current liabilities		**533,543**	425,587

The notes on pages 22 to 41 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

at 30 June 2013-unaudited

	Note	**At 30 June 2013 RMB'000**	At 31 December 2012 RMB'000
Non-current liabilities			
Deferred income	17	**33,155**	2,355
Deferred tax liabilities		**—**	673
Preferred shares	16	**40,185**	45,589
Total non-current liabilities		**73,340**	48,617
NET ASSETS		**460,203**	376,970
CAPITAL AND RESERVES			
Share capital		**2,841**	2,801
Reserves		**457,299**	374,091
Total equity attributable to equity shareholders of the Company		**460,140**	376,892
Non-controlling interests		**63**	78
TOTAL EQUITY		**460,203**	376,970

Approved and authorised for issue by the board of directors on 22 August 2013.

Zhao Yan
Director

Liu Aihua
Director

The notes on pages 22 to 41 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2013-unaudited

		Attributable to equity shareholders of the Company									
	Note	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Warrant reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2012		2,801	50,187	24,341	—	(2,560)	21,210	194,163	290,142	88	290,230
Changes in equity for the six months ended 30 June 2012:											
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	20(b)	—	—	—	—	—	—	(2,789)	(2,789)	—	(2,789)
		—	—	9,109	—	—	—	(11,898)	(2,789)	—	(2,789)
Balance at 30 June 2012 and 1 July 2012		2,801	50,187	33,450	—	(2,443)	21,210	238,674	343,879	82	343,961

The notes on pages 22 to 41 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

for the six months ended 30 June 2013-unaudited

	Attributable to equity shareholders of the Company									
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Warrant reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 July 2012	2,801	50,187	33,450	—	(2,443)	21,210	238,674	343,879	82	343,961
Changes in equity for the six months ended 31 December 2012:										
Profit for the period	—	—	—	—	—	—	32,863	32,863	—	32,863
Other comprehensive income	—	—	—	—	(278)	—	—	(278)	(4)	(282)
Total comprehensive income for the period	—	—	—	—	(278)	—	32,863	32,585	(4)	32,581
Equity settled share-based transactions	—	—	—	—	—	182	—	182	—	182
Issue of warrants	—	—	—	327	—	—	—	327	—	327
Transaction costs for issue of warrants	—	—	—	(81)	—	—	—	(81)	—	(81)
	—	—	—	246	—	182	—	428	—	428
Balance at 31 December 2012	2,801	50,187	33,450	246	(2,721)	21,392	271,537	376,892	78	376,970

The notes on pages 22 to 41 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

for the six months ended 30 June 2013-unaudited

	Note	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Warrant reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to equity shareholders of the Company									
Balance at 1 January 2013		2,801	50,187	33,450	246	(2,721)	21,392	271,537	376,892	78	376,970
Changes in equity for the six months ended 30 June 2013:											
Profit for the period		–	–	–	–	–	–	73,415	73,415	(1)	73,414
Other comprehensive income		–	–	–	–	(292)	–	–	(292)	(14)	(306)
Total comprehensive income for the period		–	–	–	–	(292)	–	73,415	73,123	(15)	73,108
Appropriation to statutory reserves		–	–	10,997	–	–	–	(10,997)	–	–	–
Dividends for the year ended 31 December 2012	20(b)	–	–	–	–	–	–	(5,043)	(5,043)	–	(5,043)
Equity settled share-based transactions		–	–	–	–	–	4,640	–	4,640	–	4,640
Shares issued on the exercise of warrants		40	10,550	–	(62)	–	–	–	10,528	–	10,528
		40	10,550	10,997	(62)	–	4,640	(16,040)	10,125	–	10,125
Balance at 30 June 2013		2,841	60,737	44,447	184	(3,013)	26,032	328,912	460,140	63	460,203

The notes on pages 22 to 41 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2013-unaudited

		Six months ended 30 June	
		2013	2012
	Note	**RMB'000**	RMB'000
Cash generated from operations		**65,339**	38,281
PRC income tax paid		**(13,243)**	(8,227)
Interest received		**106**	239
Net cash generated from operating activities		**52,202**	30,293
Net cash used in investing activities		**(73,000)**	(121,902)
Net cash generated from/ (used in) financing activities		**31,956**	(11,275)
Net increase/ (decrease) in cash and cash equivalents		**11,158**	(102,884)
Cash and cash equivalents at 1 January	13	**120,810**	188,810
Effect of foreign exchange rate changes		**(1,215)**	151
Cash and cash equivalents at 30 June	13	**130,753**	86,077

The notes on pages 22 to 41 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 subsidiaries, Bloomage Freda Biopharmaceutical Co., Ltd. ("Bloomage Biopharm") and Beijing Bloomage Hyinc Technology Company Limited, were established in the People's Republic of China (the "PRC") principally engaging in the manufacture and sale of bio-chemical products (including hyaluronic acid ("HA") raw materials and end 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 22 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 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 2012 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 42.

The financial information relating to the financial year ended 31 December 2012 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 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 18 March 2013.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new IFRSs and 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 IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- *Annual Improvements to IFRSs 2009 – 2011 Cycle*
- Amendments to IFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

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

Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting IFRS 12.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

3 CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in Note 21. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual Improvements to IFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, IAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. The amendment does not have any impact on the segment disclosure of the Group because the Group's assets and liabilities are almost entirely situated in the PRC and accordingly no information on segment assets and liabilities are presented.

Amendments to IFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7.

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	
	2013	2012
	RMB'000	RMB'000
HA raw materials	**151,636**	143,432
HA end products	**32,062**	—
Others	**1,632**	411
	185,330	143,843

(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 2013, 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.

	Domestic	Overseas			Total
		Asia	Americas	Others	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2013					
HA raw materials and others	**104,966**	**22,126**	**16,169**	**10,007**	**153,268**
HA end products	**32,062**	**—**	**—**	**—**	**32,062**
Turnover	**137,028**	**22,126**	**16,169**	**10,007**	**185,330**
Segment result	**114,277**	**14,432**	**10,698**	**4,937**	**144,344**
Unallocated income and expenses					**(49,902)**
Profit from operations					**94,442**
Finance costs					**(4,802)**
Income tax					**(16,226)**
Profit for the period					**73,414**
Six months ended 30 June 2012					
HA raw materials and others	97,685	22,173	18,755	5,230	143,843
Segment result	71,715	13,024	9,873	2,747	97,359
Unallocated income and expenses					(24,810)
Profit from operations					72,549
Finance costs					(4,495)
Income tax					(11,647)
Profit for the period					56,407

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

5 OTHER REVENUE

		Six months ended 30 June	
		2013	2012
	Note	**RMB'000**	RMB'000
Government grants	(a)	**510**	68
Interest income on cash at bank		**106**	239
Interest income on available-for-sale financial assets		**1,134**	1,357
Rental income		**1,179**	1,179
Others		**511**	418
		3,440	3,261

(a) Government grants

The grants represented incentives and award of RMB510,000, which were in relation to the Group's development of export business and the Group's technical achievement on the research and development of HA products (six months ended 30 June 2012: an incentive of RMB68,000 in relation to the Group's development of export business), received by Bloomage Biopharm during the six months ended 30 June 2013.

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	
	2013	2012
	RMB'000	RMB'000
Interest on borrowings	**314**	—
Dividends on preferred shares (Note 16)	**4,488**	4,495
	4,802	4,495

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

6 PROFIT BEFORE TAXATION (continued)

(b) Staff costs

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Salaries, wages and other benefits	**20,500**	11,166
Contributions to defined contribution retirement plans	**1,785**	1,056
Equity settled share-based transaction expenses (Note 18)	**4,640**	—
	26,925	12,222

(c) Other items

		Six months ended 30 June	
		2013	2012
	Note	**RMB'000**	RMB'000
Amortisation			
– intangible assets		**67**	44
– lease prepayments		**655**	135
Depreciation	(i)	**6,066**	5,025
Net foreign exchange loss/(gain)		**1,228**	(80)
Net gain on disposal of property, plant and equipment		**—**	(6)
Operating lease charges in respect of leased property, plant and equipment		**3,642**	577
Research and development costs	(i)	**5,028**	3,495

(i) Research and development costs for the six months ended 30 June 2013 included RMB3,308,000 (six months ended 30 June 2012: RMB2,173,000) 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 profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
Current tax - PRC income tax		
Provision for the period	**16,899**	11,647
Deferred tax		
Origination and reversal of temporary differences	**(673)**	—
	16,226	11,647

(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, Bloomage Biopharm had satisfied certain conditions in the income tax law and was granted the qualification of advanced and new technology enterprise. Bloomage 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 Bloomage Biopharm for the six months ended 30 June 2013 is 15% (six months ended 30 June 2012: 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 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 Chinese 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 Bloomage Biopharm, is subject to a tax rate of 5% for the dividends received from Bloomage Biopharm after 8 December 2011.

As at 30 June 2013, temporary differences relating to the undistributed profits of Bloomage Biopharm amounted to RMB129,438,000 (31 December 2012: RMB76,291,000). Deferred tax liabilities of RMB6,472,000 (31 December 2012: RMB3,845,000) 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 Bloomage Biopharm and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

7 INCOME TAX (continued)

(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 2013 (six months ended 30 June 2012: Nil).

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2013 is based on the profit attributable to equity shareholders of the Company of RMB73,415,000 (six months ended 30 June 2012: RMB56,409,000) and the weighted average of 312,331,000 ordinary shares (six months ended 30 June 2012: 312,000,000 ordinary shares) in issue during the interim period, calculated as follows:

(i) Weighted average number of ordinary shares (basic)

	Six months ended 30 June	
	2013	2012
	'000	'000
Issued ordinary shares at 1 January	**312,000**	312,000
Effect of exercise of unlisted warrants (Note 19)	**331**	—
Weighted average number of ordinary shares (basic) at 30 June	**312,331**	312,000

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

8 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2013 is based on the profit attributable to equity shareholders of the Company of RMB73,415,000 (six months ended 30 June 2012: RMB56,409,000) and the weighted average number of ordinary shares of 327,689,000 (six months ended 30 June 2012: 312,000,000 ordinary shares), calculated as follows:

(i) Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2013	2012
	'000	'000
Weighted average number of ordinary shares at 30 June	**312,331**	312,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (Note 18)	**3,175**	—
Effect of exercise of unlisted warrants (Note 19)	**12,183**	—
Weighted average number of ordinary shares (diluted) at 30 June	**327,689**	312,000

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

9 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Acquisitions and disposals

During the six months ended 30 June 2013, the Group acquired items of property, plant and equipment with a cost of RMB678,000 (six months ended 30 June 2012: RMB622,000). There was no property, plant and equipment disposed during the six months ended 30 June 2013 (six months ended 30 June 2012: RMB17,000).

(b) Transfer from construction in progress

During the six months ended 30 June 2013, construction in progress with a cost of RMB7,063,000 (six months ended 30 June 2012: RMB4,550,000) were completed and transferred to property, plant and equipment.

(c) As at 30 June 2013, property certificates of certain properties of the Group with an aggregate net book value of RMB6,961,000 (31 December 2012: RMB385,000) are yet to be obtained.

10 CONSTRUCTION IN PROCESS

It mainly represented the Group's construction in progress for HA production facilities. During the six months ended 30 June 2013, construction in progress had an addition of RMB97,474,000 (six months ended 30 June 2012: $10,975,000).

11 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable of the Group (which are included in trade and other receivables), based on the invoice date (or date of revenue recognition, if earlier), is as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 3 months	**74,086**	35,829
3 to 6 months	**11,453**	14,679
6 to 9 months	**498**	659
Over 9 months	**155**	271
Trade and bills receivable	**86,192**	51,438
Prepayments and other receivables	**8,616**	6,109
Other receivables due from related parties	**2,874**	2,956
	97,682	60,503

The credit term for trade receivables is generally 30 to 90 days. Bills receivable are generally due within 180 days from the date of billing.

Debtors with balances that are past due are requested to settle all outstanding balances before any further credit is granted.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

At 30 June 2013, these represent the Group's investment in principal-guaranteed banking products which have maturity periods less than 3 months. These banking products invested in bonds traded in the PRC.

13 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Cash at bank and in hand	**166,753**	121,065
Less: restricted cash (i)	**(36,000)**	(255)
Cash and cash equivalents	**130,753**	120,810

(i) At 30 June 2013, restricted cash represents time deposit placed with a bank that is secured for obtaining a bank loan by the Group (see Note 14) (at 31 December 2012: restricted cash represented deposits with banks for issuance of letter of credit by the Group).

The Group's cash at bank are mainly placed with banks in the PRC, Hong Kong, Japan and United States. 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.

14 SECURED BANK LOAN

At 30 June 2013, the secured bank loan represents a bank loan wholly repayable within one month for financing the working capital of the Group. The bank loan bears an interest rate of Hong Kong Interbank Offered Rate plus 1% and is secured by a charge over the Group's time deposit of RMB36,000,000 (see Note 13).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

15 TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade creditors of the Group (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Within 3 month	**6,338**	12,502
3 to 6 months	**5**	—
Over 6 months	**56**	13
Trade creditors	**6,399**	12,515
Payables for construction of plant and purchase of equipment	**55,805**	6,298
Receipts in advance	**768**	2,309
Value added tax payable	**5,287**	223
Other payables due to related parties	**1,132**	596
Accrued expenses and other payables	**11,511**	13,860
	80,902	35,801

The ageing analysis of trade creditors is as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Due within 1 month or on demand	**6,399**	12,515

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

16 PREFERRED SHARES

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
At 1 January	**54,748**	54,161
Dividends during the period (Note 6(a))	**4,488**	4,495
Payment of dividends of preferred shares	**(9,159)**	(8,480)
	50,077	50,176
Less: current portion of preferred shares	**(9,892)**	(9,158)
At 30 June	**40,185**	41,018

(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 Bloomage Biopharm is repayable as follows:

	At 30 June 2013	At 31 December 2012
	RMB'000	RMB'000
Within 1 year	**9,892**	9,159
After 1 year but within 5 years	**28,050**	28,434
After 5 years	**12,135**	17,155
	50,077	54,748

17 DEFERRED INCOME

Deferred income represented unrecognised government grants received to compensate the Group's cost of construction for the HA production facilities which will be subsequently deducted from the carrying amount of assets, and other unfulfilled conditional government grants received to compensate the Group for expenses incurred which will be subsequently recognised as revenue in profit or loss in the same periods in which the expenses are incurred.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

18 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 3 September 2008 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any companies in the Group, to take up options at consideration of HKD1.0 to subscribe for shares of the Company. For the options granted 50% of the options vest after one year from the date of grant and are then exercisable within a period of four years and the remaining 50% of the options vest after two years from the date of grant and are then exercisable within a period of three years. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 24 December 2012	1,940,000	One year from the date of grant	5 years
– on 24 December 2012	1,940,000	Two years from the date of grant	5 years
Options granted to employees:			
– on 24 December 2012	4,300,000	One year from the date of grant	5 years
– on 24 December 2012	4,300,000	Two years from the date of grant	5 years
Total share options granted	12,480,000		

(b) Terms of unexpired and unexercised share options at the end of the reporting period:

Exercise period	Exercise price	**30 June 2013 Number of options**	31 December 2012 Number of options
25 December 2013 to 24 December 2017	HKD 4.422	**6,240,000**	6,240,000
25 December 2014 to 24 December 2017	HKD 4.422	**6,240,000**	6,240,000
		12,480,000	12,480,000

No options were exercisable at 30 June 2013 (31 December 2012: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

19 WARRANTS

On 8 October 2012, the Company issued 20,000,000 unlisted warrants at the subscription price of HK$0.02 per warrant, which entitled the holder of each warrant to subscribe for one ordinary share of the Company at an exercise price of HK$2.65 per share at any time for a period of 12 months from the date of issue of the warrants. During the six months ended 30 June 2013, the registered holder of the warrants, Perfect Good Investment Limited, has exercised 5,000,000 warrants (six months ended 30 June 2012: Nil), and accordingly, 5,000,000 ordinary shares of HK$0.01 each were issued at HK$2.65 per share. Of the proceeds of HK$13,250,000, HK$50,000 representing the par value, have been credited to share capital, and the remaining proceeds of HK$13,200,000 have been credited to the share premium account. RMB62,000 has been transferred from the warrant reserve to the share premium account in accordance with the Group's accounting policy.

20 DIVIDENDS AND CAPITAL

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

There has been no interim dividend declared attributable to the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
2012 final dividends, approved and paid during the interim period, of HK$2.0 cents per ordinary share (2011 final dividends: HK$1.1 cents per ordinary share)	**5,043**	2,789

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

20 DIVIDENDS AND CAPITAL (continued)

(c) Share capital

	30 June 2013		31 December 2012	
	No. of shares	**HK$'000**	No. of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**1,000,000,000**	**10,000**	1,000,000,000	10,000

	30 June 2013		31 December 2012	
	No. of shares	**RMB'000**	No. of shares	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	**312,000,000**	**2,801**	312,000,000	2,801
Shares issued on exercise of warrants (Note 19)	**5,000,000**	**40**	—	—
At 30 June/31 December	**317,000,000**	**2,841**	312,000,000	2,801

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

(i) Fair value hierarchy

		Fair value measurements as at 30 June 2013 using		
	Fair value at 30 June 2013	**Quoted price in active market for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Recurring fair value measurement				
Financial assets:				
Available-for-sale financial assets	**63,000**	**—**	**63,000**	**—**

		Fair value measurements as at 31 December 2012 using		
	Fair value at 31 December 2012	Quoted price in active market for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Financial assets:				
Available-for-sale financial assets	45,000	—	45,000	—

During the six months ended 30 June 2013, there have been no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2012: Nil). The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of available-for-sale financial assets in Level 2 is determined by reference to the prices of similar banking products offered by the banks at the end of the reporting periods.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

21 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(b) Financial assets and liabilities carried at other than fair value

All the financial assets and liabilities other than available-for-sale financial assets are carried at amounts not materially different from their fair values as at 30 June 2013.

In respect of cash and cash equivalents, restricted cash, trade and other receivables, secured bank loan and trade and other payables, the carrying amounts approximate fair value due to the relatively short term or without fixed term of repayment nature of these financial instruments.

Upon initial recognition, the estimated fair value amount of preferred shares has been determined by using market information and valuation methodology considered appropriate by the Group. However, considerable judgement is required to interpret market data to develop the estimate of fair value. Accordingly, the estimate presented herein is not necessarily indicative of the amount that the Group could realise in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amount. Due to the limitation of developing estimates, the fair value amount of preferred shares cannot be measured reliably, and therefore the fair value information of preferred shares as at 30 June 2013 has not been disclosed.

22 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2013 not provided for in the interim financial report are as follows:

	At 30 June 2013 RMB'000	At 31 December 2012 RMB'000
Authorised and contracted for	**68,491**	35,948
Authorised but not contracted for	**102,110**	190,352
	170,601	226,300

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

23 MATERIAL RELATED PARTY TRANSACTIONS

The Group has leased out part of the buildings and plant to Shandong Freda Pharmaceutical Group Company Limited ("SFP"), the holder of the preferred shares of Bloomage Biopharm, and its subsidiaries. The amount of rental income earned by the Group for the six months ended 30 June 2013 is RMB1,179,000 (six months ended 30 June 2012: RMB1,178,000) and the corresponding receivable balance at 30 June 2013 is RMB1,183,000 (31 December 2012: RMB2,982,000).

The Group has purchased raw materials from Shandong Freda Biotechnology Co., Ltd., which is a subsidiary of SFP. The amount of purchase by the Group for the six months ended 30 June 2013 is RMB7,066,000 (six months ended 30 June 2012: RMB22,082,000) and the corresponding payable has been settled as at 30 June 2013 (31 December 2012: payable balance of RMB5,008,000).

The Group has entered into a three-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 2013 is RMB3,608,000 (six months ended 30 June 2012: RMB452,000) and the corresponding payable balance at 30 June 2013 is RMB1,042,000 (31 December 2012: RMB456,000).

The Group has entered into a one-year contract in 2012 in respect of rendering of financial consultancy service to the Group by Beijing Zhaofeng Xingye Investment Consulting Co., Ltd. ("Beijing Zhaofeng"), an affiliate of a director of a wholly-owned subsidiary of the Group, Beijing Bloomage Hyinc Technology Company Limited. The consultancy service charge incurred by the Group for the six months ended 30 June 2013 is RMBnil (six months ended 30 June 2012: RMB270,000) and the corresponding amount of payable to Beijing Zhaofeng at 30 June 2013 is RMBnil (31 December 2012: RMBnil).

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

24 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 15 to 41 which comprises the consolidated statement of financial position of Bloomage BioTechnology Corporation Limited as of 30 June 2013 and the related consolidated statement of profit or loss and other comprehensive income and 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 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

22 August 2013