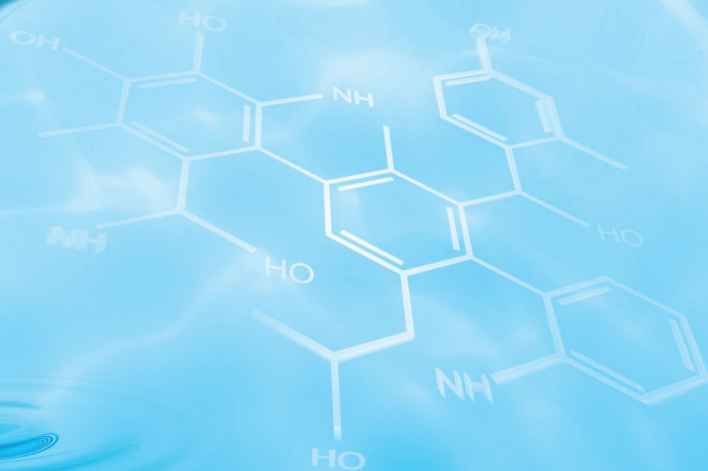




**Bloomage BioTechnology Corporation Limited**  
**華熙生物科技有限公司**

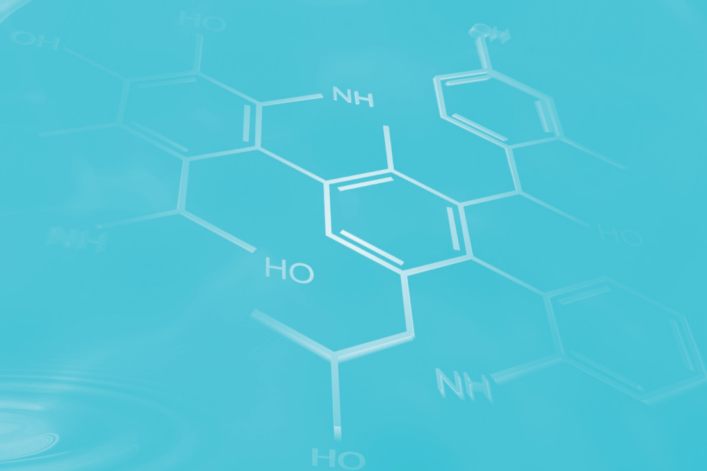
(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 00963

**2014**  
INTERIM REPORT



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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

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

### NON-EXECUTIVE DIRECTOR

Mr. Guo Jiajun

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Zhan Lili  
Mr. Hai Wen  
Mr. Li Junhong

### COMPANY SECRETARY

Mr. Loong Ping Kwan

### AUTHORISED REPRESENTATIVES

Mr. Guo Jiajun  
Mr. Loong Ping Kwan

### MEMBERS OF AUDIT COMMITTEE

Mr. Li Junhong (*Chairman*)  
Ms. Zhan Lili  
Mr. Hai Wen

### MEMBERS OF REMUNERATION COMMITTEE

Mr. Hai Wen (*Chairman*)  
Mr. Li Junhong  
Mr. Jin Xuekun

### MEMBERS OF NOMINATION COMMITTEE

Ms. Zhan Lili (*Chairman*)  
Mr. Hai Wen  
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 2001-2006, 20th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

### AUDITORS

KPMG



**LEGAL ADVISERS AS TO HONG KONG LAWS**

Loong & Yeung

**COMPANY WEBSITE**

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

**PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Codan Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O.Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

**PRINCIPAL BANKERS**

Jinan Branch of the Bank of China  
China Everbright Bank

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

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**STOCK CODE**

00963

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW

Bloomage BioTechnology Corporation Limited (the "Company"), and together with its subsidiaries, the "Group") is an investment holding company. Its principal operating subsidiaries are mainly engaged in the development, manufacture and sale of a diversified range of hyaluronic acid ("HA") raw materials and end 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 in the existing market 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 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. End products which the Group has successfully developed and obtained relevant qualifications include 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 "海力達", formerly known as "Hyprojoint"), which involve cosmetics, pharmaceuticals and other aspects of daily lives.

### BUSINESS REVIEW

For the six months ended 30 June 2014, the Group's turnover amounted to approximately RMB243.847 million, representing an increase of approximately 31.6% as compared with approximately RMB185.330 million in the corresponding period of 2013. Its profit for the six months ended 30 June 2014 was approximately RMB83.763 million, representing an increase of approximately 14.1% from approximately RMB73.414 million in the corresponding period of 2013. Excluding the effect of the non-cash equity-settled share-based payment expenses of approximately RMB9.920 million (six months ended 30 June 2013: RMB4.640 million), the Group's profit for the six months ended 30 June 2014 was approximately RMB93.683 million (six months ended 30 June 2013: RMB78.054 million), representing an increase of approximately 20.0% as compared with the corresponding period of 2013.

During the first half of 2014, the Group strived to maintain the market share of its HA raw materials business which maintained an overall growth of 6.2%. Meanwhile, the Group continued to further the penetration of BioHyalux for injection on the basis of existing market coverage of the product. The BioHyalux end products recorded an increase in income of 156.0% which accounted for approximately 33.7% of the income of the Group for the six months ended 30 June 2014 as compared with approximately 17.3% in the corresponding period of 2013, and became the main driver of income growth.

### HA raw materials business – strengthening market strategic layout to maintain market shares

In the first half of 2014, the Group continued to strengthen the development and marketing of new products for the purpose of expanding sales channels, and to maintain its market shares in traditional HA raw materials through improving the Group's overall market competitiveness by model innovation and business innovation. In the first half of 2014, market competition for low-end HA raw materials, particularly food-grade HA raw materials, exacerbated, with greater price competition for products. In response, the Group adopted more refined product category classifications and more flexible pricing strategy to increase sales, with focus on strengthening differentiated competitive advantages of cosmetic grade HA products and promoting the application of Hyacolor™, a new HA raw material, in the cosmetics field, and actively deploying its businesses in overseas markets to consolidate and enhance the Group's leading position in the HA raw materials market.

In the first half of 2014, the Group actively proceeded with product R & D and the enhancement of qualification standards. The new product Hyacolor™ has obtained “Technology Innovation Award for Personal Care and Cosmetic Products in China”(中國個人護理品及化妝品技術創新獎), while HAPLEX® Sodium Hyaluronate was granted the “Ringier Technology Innovation Award for the Food and Beverage Industry”(食品飲料工業榮格技術創新獎), and have obtained patents for three R & D results, including “The preparation of oligomeric hyaluronic acid by microbial fermentation method and the resulting oligomer hyaluronate acid and its application (酶切法製備寡聚透明質酸鹽的方法及所得寡聚透明質酸鹽和其應用).

### HA end products business – enhancing brand awareness to identify key customers

During the first half of 2014, a number of competing brands emerged in the market, while the government implemented more stringent regulations on injectable products. Multi-brand competition and strict supervision played an important role in the education and development of genuine product market and resulted in a more regulated market for the whole category, which is favorable for enhancing brand awareness of quality products in the market and building good product images. In 2014, the Group fully leveraged its own advantages and achieved excellent results in market competition.

Regarding the marketing of BioHyalux, the Group shifted its promotion focus to both the industry and the consumers in the first half of 2014 from a focus mainly on experts, institutions and academic conferences and exhibitions in 2013. During the release of the movie “the Truth about Beauty” (整容日記), the Group launched promotion activities for BioHyalux in cooperation with 50 large well-known beauty care organizations throughout the country and recruited more than 50 thousand consumer members, successfully strengthening BioHyalux’s brand awareness among the consumers. Meanwhile, new media channels such as blog, WeChat and official website were used to sustain the subsequent publicity effect. During the first half of 2014, the Group continued to improve the quality of exhibitions and conferences in conjunction with leading experts and renowned institutions within the industry, gradually shifting the focus from enhancing industry awareness during the early stage of BioHyalux’s launch to a stage of building professional brand image and forging a famous brand.

Regarding the sales management of BioHyalux, on one hand, the Group optimized its sales team and internal sales management system on the basis of improving the sales team in 2013. On the other hand, effective management and classification of developed customers were carried out to screen quality customers for the purpose of gradual transition to effective identification of key customers from the wide coverage during the initial launch of the product in 2013. The Group continued to adopt model innovation and closely cooperated with prominent institutions to explore new growth points of profits.

Regarding end product development, the Group specially set up a skin care products research and development center to develop various HA-based skin care products as components of and supplements to injections products to meet the needs of organizations and sales purpose. In addition, Hyprojoint, a bone products for intra-articular injection, has obtained CFDA drug registration certificate, further enriching the categories of end-products following Hymoio, a ophthalmic product.

### Human resource development – strengthening the organization’s strategic layout to improve team execution effectiveness

During the first half of 2014, for rapid implementation of strategies, the Group continued to expand, consolidate and reorganise its human resources and had introduced a number of senior executives including the Chief Financial Officer, and further expanded the product development and marketing team to support implementation of the Group’s long-term strategies.

## BUSINESS OUTLOOK

In the second half of 2014, in terms of raw materials, facing intensifying market competition due to manufacturers' expectation of market prospects, the Group will, with focus on its own industry, brand and technological advantages, use HA new products and other competitive new raw materials to constantly expand the sales channels, strengthen strategic cooperation with key customers in the areas of cosmetics, pharmaceuticals and health food to consolidate its scale and increase its market shares. In terms of end products, the market will continue to maintain the trend of multi-brand competition. The Group will continue to strengthen its favorable position in the injection fillers market, seek combined marketing of injections and other products to continuously expand marketing channels and models, leverage existing resources to develop more business modes, use its brand strategy to guide the composition of various products to form a synergy, and drive the overall enhancement of the BLOOMAGE brand with BioHyalux's existing brand awareness.

The construction of and equipment procurement for the Group's new industrial park in Jinan City, Shandong Province have been fully completed in the first half of the year and the industrial park will gradually be put into use in the second half of 2014. Following the production capacity expansion and technology upgrade, the Group will be more favorable in strategic market competition in areas such as product quality, technology standards and capacity provision, which will facilitate the long-term stable development of the Group.

## FINANCIAL REVIEW

### Turnover

The Group's turnover for the six months ended 30 June 2014 was approximately RMB243.847 million, representing an increase of approximately 31.6% as compared to the corresponding period of 2013. The increase in turnover was mainly attributable to the increase in sales of HA end products, eye drop and food-grade products. The breakdown of the Group's turnover by products was as follows:

	Six months ended 30 June			
	2014		2013	
	RMB'000	%	RMB'000	%
<b>HA raw materials</b>	<b>161,044</b>	<b>66.0</b>	151,636	81.8
<b>HA end products</b>	<b>82,092</b>	<b>33.7</b>	32,062	17.3
<b>Others</b>	<b>711</b>	<b>0.3</b>	1,632	0.9
<b>Total</b>	<b>243,847</b>	<b>100.0</b>	185,330	100.0

### Cost of sales

Cost of sales for the six months ended 30 June 2014 was approximately RMB57.294 million, representing an increase of approximately 45.5% as compared to approximately RMB39.377 million for the corresponding period of 2013. 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 2014 decreased to approximately 76.5% from approximately 78.8% for the corresponding period of 2013. The decrease was mainly due to greater prices competition pressure of food-grade HA raw materials.

### Other revenue

Other revenue of the Group was approximately RMB5.536 million for the six months ended 30 June 2014, representing an increase of approximately RMB2.096 million as compared to the corresponding period of 2013. The increase in other revenue was mainly attributable to the increase in government grant and interest income on available-for-sale financial assets as compared to the six months ended 30 June 2013.

### Distribution costs

The Group's distribution costs for the six months ended 30 June 2014 were approximately RMB37.714 million, representing an increase of approximately 63.6% from approximately RMB23.057 million for the corresponding period of 2013. The increase was mainly attributable to the increase in marketing costs 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 2014 were approximately RMB44.227 million, representing an increase of approximately 47.9% from approximately RMB29.900 million for the corresponding period of 2013. The increase in administrative expenses was mainly due to the increase in non-cash equity-settled share-based payment expenses and increase in staff costs as a result of increase in the number of staff. Excluding the effect of the non-cash equity-settled share-based payment expenses of approximately RMB9.920 million (six months ended 30 June 2013: approximately RMB4.640 million), the Group's administrative expenses for the six months ended 30 June 2014 were approximately RMB34.307 million (six months ended 30 June 2013: approximately RMB25.260 million), representing an increase of approximately 35.8% as compared with the corresponding period of 2013.

### Other operating expenses

The Group's other operating expenses for the six months ended 30 June 2014 were approximately RMB1.132 million, representing a decrease of approximately 43.2% from approximately RMB1.994 million for the corresponding period of 2013.

### Finance costs

The Group's finance costs for the six months ended 30 June 2014 were approximately RMB5.062 million, representing an increase of approximately 5.4% from approximately RMB4.802 million for the corresponding period of 2013. 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 2014 was approximately RMB83.763 million, representing an increase of approximately 14.1% from approximately RMB73.414 million for the corresponding period of 2013.



### Liquidity and financial resources

As at 30 June 2014, the current assets of the Group were approximately RMB427.046 million (31 December 2013: approximately RMB431.984 million) and the current liabilities were approximately RMB173.432 million (31 December 2013: approximately RMB122.644 million). As at 30 June 2014, the current ratio of the Group was approximately 246.2% (31 December 2013: approximately 352.2%). The decrease in current ratio was mainly due to the increase in trade and other payables.

As at 30 June 2014, cash and cash equivalents of the Group were approximately RMB184.355 million (31 December 2013: approximately RMB169.429 million), of which approximately 86% (31 December 2013: approximately 71%) was denominated in RMB, approximately 6% (31 December 2013: approximately 24%) in Hong Kong dollars, approximately 6% (31 December 2013: approximately 4%) in United States dollars ("USD") and approximately 2% (31 December 2013: approximately 1%) in Japanese Yen ("JPY").

As at 30 June 2014, the Group's total borrowing was nil (31 December 2013: approximately RMB36 million which was denominated in RMB).

As at 30 June 2014, total liabilities were approximately RMB251.453 million (31 December 2013: approximately RMB203.961 million). The Group's gearing ratio (calculated by dividing total liabilities by total assets) as at 30 June 2014 was approximately 27.8% (31 December 2013: approximately 26.5%). The increase in gearing ratio as at 30 June 2014 as compared to that as at 31 December 2013 was principally attributable to the increase in trade and other payables and deferred income.

Net cash generated from operating activities for the six months ended 30 June 2014 was approximately RMB62.670 million (six months ended 30 June 2013: approximately RMB52.202 million). Net cash outflow to investing activities for the six months ended 30 June 2014 was approximately RMB3.573 million (six months ended 30 June 2013: approximately RMB73.000 million). Net cash outflow from financing activities for the six months ended 30 June 2014 was approximately RMB44.617 million (six months ended 30 June 2013: cash inflow from financing activities of approximately RMB31.956 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 denominated 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 2014, the Group had no contingent liabilities (31 December 2013: Nil).

### Capital commitment

As at 30 June 2014, the capital commitment for construction of property, plant and equipment of the Group was approximately RMB2.113 million (31 December 2013: approximately RMB141.436 million).

### Employee information

As at 30 June 2014, the Group had 549 employees (31 December 2013: 470 employees) and the majority of whom were stationed in the PRC. Total remuneration for the six months ended 30 June 2014 amounted to approximately RMB44.533 million (six months ended 30 June 2013: approximately RMB26.925 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.

The remuneration per annum of Ms. Zhan Lili, an independent non-executive Director, was raised from HK\$80,000 to HK\$150,000 with effect from 28 February 2014.

### Charge on assets

As at 30 June 2014, the Group has not pledged any assets (31 December 2013: the Group has pledged bank deposit of RMB36 million for the bank loan borrowed from a bank).

### Significant investment, material acquisitions and disposal of subsidiaries and associated companies

During the six months ended 30 June 2014, there was no significant investment, 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.

Since no applicable percentage ratio (except profit ratio) for the New Property Leasing Agreements on aggregated annual basis exceeds the 5% limit under Rule 14A.76(2) of the Listing Rules, therefore the New Property Leasing Agreement is only subject to the reporting, annual review and announcement requirements and is exempt from approval by independent shareholders under Chapter 14A of the Listing Rules.

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

## OTHER INFORMATION

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

As at 30 June 2014, 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 (Chapter 571 of the Laws of Hong Kong) ("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 ( <i>Note 2</i> )	182,520,000 (L) ( <i>Note 1</i> )	54.98%
	Interest of a controlled corporation ( <i>Note 6</i> )	9,960,000 (L)	3.00%
	Interest of a controlled corporation ( <i>Note 6</i> )	9,960,000 (S)	3.00%
Ms. Liu Aihua	Interest of a controlled corporation ( <i>Note 3</i> )	4,544,000 (L)	1.37%
	Beneficial owner ( <i>Note 3 and 4</i> )	2,190,000 (L)	0.66%
Mr. Guo Jiajun	Beneficial owner ( <i>Note 4</i> )	700,000 (L)	0.21%
Ms. Wang Aihua	Beneficial owner ( <i>Note 4</i> )	680,000 (L)	0.20%
Mr. Jin Xuekun	Interest of a controlled corporation ( <i>Note 5</i> )	16,600,000 (L)	5.00%
	Beneficial owner ( <i>Note 4</i> )	6,950,000 (L)	2.09%
	Interest of a controlled corporation ( <i>Note 6</i> )	9,960,000 (L)	3.00%
	Interest of a controlled corporation ( <i>Note 6</i> )	9,960,000 (S)	3.00%

*Notes:*

- (1) The letter "L" denotes a long position in the shares of the Company and the letter "S" denotes a short position in the shares of the Company.
- (2) These 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) These 4,544,000 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 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. On 29 October 2013, 6,640,000 share options were granted conditionally to Mr. Jin Xuekun, and the grant was approved by independent shareholders at the extraordinary general meeting held on 23 December 2013.
- (5) These 16,600,000 shares were warrants held by Wealthy Delight Group Limited (“Wealthy Delight”) which was in turn wholly-owned by Mr. Jin Xuekun. Therefore, Mr. Jin Xuekun is deemed, or taken to be, interested in all the warrants beneficially owned by Wealthy Delight for the purpose of the SFO.
- (6) On 22 May 2014, AFI had granted a call option to Wealthy Delight (“AIM First Call Option”) exercisable during the period from 22 May 2014 to 22 May 2019 to require AFI to transfer an aggregate of 9,960,000 shares of the Company or any part thereof held by AFI (the “Option Shares”) to Wealthy Delight at HK\$5.8 per share (the “Transfer Price”); and Wealthy Delight had granted a call option to AFI exercisable during the period commencing on the completion date of the transfer of the relevant Option Shares under the AIM First Call Option and ending on 22 May 2019 to require Wealthy Delight to transfer the Option Shares or any part thereof held by Wealthy Delight to AFI at the Transfer Price on the condition that AIM First Call Option has been exercised by Wealthy Delight and Mr. Jin resigns as the chief executive officer of the Company due to personal reason(s).

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

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

Save as disclosed above, as at 30 June 2014, 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 2014, 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:

<b>Name</b>	<b>Nature of interest</b>	<b>Number of shares held/ interested in</b>	<b>Approximate percentage of the issued share capital of the Company</b>
<b>Substantial shareholders</b>			
AFI ( <i>Note 2</i> )	Beneficial owner	182,520,000 (L)	54.98%
		( <i>Note 1</i> )	
		9,960,000 (L)	3.00%
		9,960,000 (S)	3.00%
Mr. Wang Yi ( <i>Note 3</i> )	Interest of spouse	182,520,000 (L)	54.98%
		9,960,000 (L)	3.00%
		9,960,000 (S)	3.00%
Wealthy Delight ( <i>Note 4</i> )	Beneficial owner	16,600,000 (L)	5.00%
		9,960,000 (L)	3.00%
		9,960,000 (S)	3.00%
Zhang Lanying ( <i>Note 5</i> )	Interest of spouse	23,550,000 (L)	7.09%
		9,960,000 (L)	3.00%
		9,960,000 (S)	3.00%
Yong Rong Asset Management Limited	Investment manager	23,377,500 (L)	7.04%
Yong Rong Global Excellence Fund	Beneficial owner	23,377,500 (L)	7.04%
UBS AG	Guaranteed interest holder of shares	16,352,500 (L)	4.93%
	Beneficial owner	302,500 (L)	0.09%
		292,500 (S)	0.09%

Notes:

- (1) The letter "L" denotes a long position in the shares of the Company and the letter "S" denotes a short 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 Yi is the spouse of Ms. Zhao Yan. Under the SFO, Mr. Wang Yi is deemed, or taken to be, interested in all the shares of the Company in which Ms. Zhao is interested.
- (4) On 27 December 2013, 16,600,000 warrants of the Company were granted to Wealthy Delight conferring the right to subscribe for 16,600,000 shares by the holder of such warrants.
- (5) Ms. Zhang Lanying is the spouse of Mr. Jin Xuekun. Under the SFO, Ms. Zhang Lanying is deemed, or taken to be, interested in all the shares of the Company in which Mr. Jin Xuekun is interested.

Save as disclosed above, as at 30 June 2014, 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 (the "Scheme") 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.

Furthermore, on 29 October 2013, 3,320,000 share options to subscribe for a total of 3,320,000 shares were granted to certain employees of the Group, each share option shall entitle the holder to subscribe for one share at the exercise price of HKD16.652 per share, subject to achievement of the performance target for the relevant period before the share option can be exercised. 25% of the share options may be exercised within the period from 30 October 2014 to 29 October 2018, 25% of the share options may be exercised within the period from 30 October 2015 to 29 October 2018, 25% of the share options may be exercised within the period from 30 October 2016 to 29 October 2018, and the remaining 25% share options may be exercised within the period from 30 October 2017 to 29 October 2018. Details of the grant of share options are set out in the announcement of the Company dated 29 October 2013.

Moreover, on 29 October 2013, 6,640,000 share options to subscribe for a total of 6,640,000 shares were granted to Mr. Jin Xuekun under the Scheme, each share option shall entitle Mr. Jin to subscribe for one share at the exercise price of HKD16.652 per share, subject to achievement of the performance target for the relevant period before the share option can be exercised. 25% of the share options may be exercised within the period from 23 December 2014 to 22 December 2018, 25% of the share options may be exercised within the period from 23 December 2015 to 22 December 2018, 25% of the share options may be exercised within the period from 23 December 2016 to 22 December 2018, and the remaining 25% share options may be exercised within the period from 23 December 2017 to 22 December 2018. Details of the grant of share options are set out in the announcement of the Company dated 29 October 2013.

## OPTION AGREEMENT

On 22 May 2014, AFI, Ms. Zhao Yan ("Ms. Zhao"), the chairman of the Company and an executive Director (as warrantor for AFI), Wealthy Delight and Mr. Jin Xuekun ("Mr. Jin"), the chief executive officer of the Company and an executive Director (as warrantor for Wealthy Delight) entered into an option agreement (the "Option Agreement"), pursuant to which, (i) AFI has granted a call option to Wealthy Delight ("AIM First Call Option") exercisable during the period from 22 May 2014 to 22 May 2019 to require AFI to transfer an aggregate of 9,960,000 shares of the Company or any part thereof held by AFI (the "Option Shares") to Wealthy Delight at HK\$5.8 per share (the "Transfer Price"); and (ii) Wealthy Delight has granted a call option to AFI exercisable during the period commencing on the completion date of the transfer of the relevant Option Shares under the AIM First Call Option and ending on 22 May 2019 to require Wealthy Delight to transfer the Option Shares or any part thereof held by Wealthy Delight to AFI at the Transfer Price on the condition that AIM First Call Option has been exercised by Wealthy Delight and Mr. Jin resigns as the chief executive officer of the Company due to personal reason(s). Details of the Option Agreement are set out in the announcement of the Company dated 22 May 2014.

## INTERIM DIVIDEND

The Board does not recommend the declaration or payment of an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

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

For the six months ended 30 June 2014, 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 2014.

## 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. Li Junhong, Ms. Zhan Lili and Mr. Hai Wen. Mr. Li Junhong 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 one executive Director, namely Ms. Liu Aihua and two independent non-executive Directors, namely Ms. Zhan Lili and Mr. Hai Wen. Ms. Zhan Lili 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 Mr. Jin Xuekun, an executive Director and two independent non-executive Directors, namely Mr. Hai Wen and Mr. Li Junhong. Mr. Hai Wen 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 2014. 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 2014. 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*

20 August 2014



**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

for the six months ended 30 June 2014-unaudited

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
<b>Turnover</b>	4	<b>243,847</b>	185,330
Cost of sales		<u>(57,294)</u>	<u>(39,377)</u>
<b>Gross profit</b>		<b>186,553</b>	145,953
Other revenue	5	<b>5,536</b>	3,440
Distribution costs		<b>(37,714)</b>	(23,057)
Administrative expenses		<b>(44,227)</b>	(29,900)
Other operating expenses		<u>(1,132)</u>	<u>(1,994)</u>
<b>Profit from operations</b>		<b>109,016</b>	94,442
Finance costs	6(a)	<u>(5,062)</u>	<u>(4,802)</u>
<b>Profit before taxation</b>	6	<b>103,954</b>	89,640
Income tax	7	<u>(20,191)</u>	<u>(16,226)</u>
<b>Profit for the period</b>		<b>83,763</b>	73,414
<b>Other comprehensive income for the period (after tax adjustments):</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations (net of income tax)		<u>931</u>	<u>(306)</u>
<b>Total comprehensive income for the period</b>		<u><b>84,694</b></u>	<u>73,108</u>
<b>Profit attributable to:</b>			
Equity shareholders of the Company		<b>83,764</b>	73,415
Non-controlling interests		<u>(1)</u>	<u>(1)</u>
<b>Profit for the period</b>		<u><b>83,763</b></u>	<u>73,414</u>
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Company		<b>84,692</b>	73,123
Non-controlling interests		<u>2</u>	<u>(15)</u>
<b>Total comprehensive income for the period</b>		<u><b>84,694</b></u>	<u>73,108</u>
<b>Earnings per share (RMB)</b>			
Basic	8(a)	<u><b>0.252</b></u>	<u>0.235</u>
Diluted	8(b)	<u><b>0.242</b></u>	<u>0.224</u>

The notes on pages 23 to 45 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2014-unaudited

		At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
	Note		
<b>Non-current assets</b>			
Property, plant and equipment, net	9	115,225	119,579
Construction in progress	10	293,202	146,197
Intangible assets		1,155	1,067
Lease prepayments		61,124	61,779
Deferred tax assets		7,700	7,700
<b>Total non-current assets</b>		<b>478,406</b>	336,322
<b>Current assets</b>			
Inventories		42,823	42,518
Trade and other receivables	11	145,168	87,037
Available-for-sale financial assets	12	50,000	97,000
Restricted cash	13	4,700	36,000
Cash and cash equivalents	13	184,355	169,429
<b>Total current assets</b>		<b>427,046</b>	431,984
<b>Current liabilities</b>			
Secured bank loan	14	—	36,000
Trade and other payables	15	141,615	58,730
Current portion of preferred shares	16	10,684	9,892
Income tax payable		21,133	18,022
<b>Total current liabilities</b>		<b>173,432</b>	122,644
<b>Net current assets</b>		<b>253,614</b>	309,340
<b>Total assets less current liabilities</b>		<b>732,020</b>	645,662

The notes on pages 23 to 45 form part of this interim financial report.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

at 30 June 2014-unaudited

		<b>At</b>	At
		<b>30 June</b>	31 December
		<b>2014</b>	2013
	Note	<b>RMB'000</b>	RMB'000
<b>Non-current liabilities</b>			
Deferred income	17	<b>39,553</b>	36,570
Preferred shares	16	<b>38,468</b>	44,747
<b>Total non-current liabilities</b>		<b>78,021</b>	81,317
<b>NET ASSETS</b>			
		<b>653,999</b>	564,345
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>2,961</b>	2,961
Reserves		<b>650,977</b>	561,325
<b>Total equity attributable to equity shareholders of the Company</b>		<b>653,938</b>	564,286
<b>Non-controlling interests</b>		<b>61</b>	59
<b>TOTAL EQUITY</b>		<b>653,999</b>	564,345

Approved and authorised for issue by the board of directors on 20 August 2014.

**Zhao Yan**  
*Director*
**Jin Xuekun**  
*Director*

The notes on pages 23 to 45 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2014-unaudited

		Attributable to equity shareholders of the Company								
		Share capital	Share premium	Statutory reserve	Warrant reserve	Exchange reserve	Other reserve	Retained earnings	Non-controlling interests	Total equity
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<b>Balance at 1 January 2013</b>	2,801	50,187	33,450	246	(2,721)	21,392	271,537	78	376,970
	<b>Changes in equity for the six months ended 30 June 2013:</b>									
	Profit for the period	—	—	—	—	—	—	73,415	(1)	73,414
	Other comprehensive income	—	—	—	—	(292)	—	—	(14)	(306)
	Total comprehensive income for the period	—	—	—	—	(292)	—	73,415	(15)	73,108
	Appropriation to statutory reserves	—	—	10,997	—	—	—	(10,997)	—	—
	Dividends for the year ended 31 December 2012	19(b)	—	—	—	—	—	(5,043)	—	(5,043)
	Equity settled share-based transactions	—	—	—	—	—	4,640	—	—	4,640
	Shares issued on the exercise of warrants	—	40	10,550	—	(62)	—	—	—	10,528
		40	10,550	10,997	(62)	—	4,640	(16,040)	—	10,125
	<b>Balance at 30 June 2013</b>	2,841	60,737	44,447	184	(3,013)	26,032	328,912	63	460,203

The notes on pages 23 to 45 form part of this interim financial report.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)**

for the six months ended 30 June 2014-unaudited

	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Statutory reserve	Warrant reserve	Exchange reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 July 2013</b>	2,841	60,737	44,447	184	(3,013)	26,032	328,912	460,140	63	460,203
<b>Changes in equity for the six months ended 31 December 2013:</b>										
Profit for the period	—	—	—	—	—	—	20,983	20,983	—	20,983
Other comprehensive income	—	—	—	—	(901)	—	—	(901)	(4)	(905)
Total comprehensive income for the period	—	—	—	—	(901)	—	20,983	20,082	(4)	20,078
Equity settled share-based transactions	—	—	—	—	—	52,645	—	52,645	—	52,645
Shares issued on the exercise of warrants	120	31,483	—	(184)	—	—	—	31,419	—	31,419
	120	31,483	—	(184)	—	52,645	—	84,064	—	84,064
<b>Balance at 31 December 2013</b>	2,961	92,220	44,447	—	(3,914)	78,677	349,895	564,286	59	564,345

The notes on pages 23 to 45 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

for the six months ended 30 June 2014-unaudited

		Attributable to equity shareholders of the Company									
		Share capital	Share premium	Statutory reserve	Warrant reserve	Exchange reserve	Other reserve	Retained earnings	Total	Non-controlling interests	Total equity
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Balance at 1 January 2014	2,961	92,220	44,447	—	(3,914)	78,677	349,895	564,286	59	564,345
	<b>Changes in equity for the six months ended 30 June 2014:</b>										
	Profit for the period	—	—	—	—	—	—	83,764	83,764	(1)	83,763
	Other comprehensive income	—	—	—	—	928	—	—	928	3	931
	Total comprehensive income for the period	—	—	—	—	928	—	83,764	84,692	2	84,694
	Appropriation to statutory reserves	—	—	16,745	—	—	—	(16,745)	—	—	—
	Dividends for the year ended 31 December 2013	—	—	—	—	—	—	(4,960)	(4,960)	—	(4,960)
	Equity settled share-based transactions	—	—	—	—	—	9,920	—	9,920	—	9,920
		—	—	16,745	—	—	9,920	(21,705)	4,960	—	4,960
	Balance at 30 June 2014	2,961	92,220	61,192	—	(2,986)	88,597	411,954	653,938	61	653,999

The notes on pages 23 to 45 form part of this interim financial report.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

for the six months ended 30 June 2014-unaudited

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
<b>Operating activities</b>			
Cash generated from operations		<b>79,059</b>	65,339
PRC income tax paid		<b>(17,080)</b>	(13,243)
Interest received		<b>691</b>	106
<b>Net cash generated from operating activities</b>		<b>62,670</b>	52,202
<b>Investing activities</b>			
Payment for purchase of property, plant and equipment, construction in progress and intangible assets		<b>(88,055)</b>	(51,189)
Government grants received		<b>3,850</b>	30,800
Net disposal/(acquisition) of available-for-sale financial assets		<b>47,000</b>	(18,000)
Decrease/(increase) in restricted cash		<b>31,300</b>	(35,745)
Other cash flows arising from investing activities		<b>2,332</b>	1,134
<b>Net cash used in investing activities</b>		<b>(3,573)</b>	(73,000)
<b>Financing activities</b>			
Proceeds from bank loans		—	36,000
Proceeds from exercise of warrants		—	10,528
Repayment of bank loans		<b>(36,000)</b>	—
Dividends paid on preferred shares		<b>(3,000)</b>	(9,159)
Dividends paid to equity shareholders of the Company		<b>(4,960)</b>	(5,043)
Other cash flows arising from financing activities		<b>(657)</b>	(370)
<b>Net cash (used in)/generated from financing activities</b>		<b>(44,617)</b>	31,956
<b>Net increase in cash and cash equivalents</b>		<b>14,480</b>	11,158
<b>Cash and cash equivalents at 1 January</b>	13	<b>169,429</b>	120,810
<b>Effect of foreign exchange rate changes</b>		<b>446</b>	(1,215)
<b>Cash and cash equivalents at 30 June</b>	13	<b>184,355</b>	130,753

The notes on pages 23 to 45 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 20 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 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 2013 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 46.

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company’s annual financial statements for that financial year but is derived from those financial statements. Annual financial statements for the year ended 31 December 2013 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 20 March 2014.



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

### 3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*
- IFRIC 21, *Levies*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of new or amended IFRSs are discussed below:

#### Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended IFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

#### Amendments to IAS 32, *Offsetting financial assets and financial liabilities*

The amendments to IAS 32 clarify the offsetting criteria in IAS 32. The amendments do not have an impact on the Group's interim financial report as the Group has not offsetted any financial assets nor financial liabilities.

#### Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*

The amendments to IAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. These amendments do not have an impact on the Group's interim financial report as the Group did not have any impaired non-financial assets as at 30 June 2014.

#### Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*

The amendments to IAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial report as the Group does not have any derivatives.



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

### 3 CHANGES IN ACCOUNTING POLICIES (continued)

#### IFRIC 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

### 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.

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
HA raw materials	<b>161,044</b>	151,636
HA end products	<b>82,092</b>	32,062
Others	<b>711</b>	1,632
	<b><u>243,847</u></b>	<u>185,330</u>

#### (b) Segment reporting

Segment information disclosed in the interim financial report has been 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 2014, 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.

	<b>Domestic</b>	<b>Overseas</b>			<b>Total</b>
		<b>Asia</b>	<b>Americas</b>	<b>Others</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Six months ended 30 June 2014</b>					
HA raw materials and others	111,849	18,225	19,130	12,551	161,755
HA end products	82,092	—	—	—	82,092
Turnover	<u>193,941</u>	<u>18,225</u>	<u>19,130</u>	<u>12,551</u>	<u>243,847</u>
Segment result	154,014	8,815	13,224	8,240	184,293
Unallocated income and expenses					<u>(75,277)</u>
Profit from operations					109,016
Finance costs					(5,062)
Income tax					<u>(20,191)</u>
Profit for the period					<u><u>83,763</u></u>
<b>Six months ended 30 June 2013</b>					
HA raw materials and others	104,966	22,126	16,169	10,007	153,268
HA end products	32,062	—	—	—	32,062
Turnover	<u>137,028</u>	<u>22,126</u>	<u>16,169</u>	<u>10,007</u>	<u>185,330</u>
Segment result	114,277	14,432	10,698	4,937	144,344
Unallocated income and expenses					<u>(49,902)</u>
Profit from operations					94,442
Finance costs					(4,802)
Income tax					<u>(16,226)</u>
Profit for the period					<u><u>73,414</u></u>

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

## 5 OTHER REVENUE

	Note	Six months ended 30 June	
		2014 RMB'000	2013 RMB'000
Government grants	(a)	1,120	510
Interest income on cash at bank		691	106
Interest income on available-for-sale financial assets		2,332	1,134
Rental income		1,301	1,179
Others		92	511
		<u>5,536</u>	<u>3,440</u>

## (a) Government grants

The grants represented incentives and awards of RMB1,120,000 (six months ended 30 June 2013: RMB510,000), which were mainly in relation to the Group's technical achievement on the research and development of HA products during the six months ended 30 June 2014.

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:

## (a) Finance costs

	Six months ended 30 June	
	2014 RMB'000	2013 RMB'000
Interest on borrowings	657	314
Dividends on preferred shares (Note 16)	4,405	4,488
	<u>5,062</u>	<u>4,802</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

6 PROFIT BEFORE TAXATION (continued)

(b) Staff costs

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Salaries, wages and other benefits	31,894	20,500
Contributions to defined contribution retirement plans	2,719	1,785
Equity settled share-based transaction expenses		
– share option scheme (Note 18 (i))	8,053	4,640
– group share-based payment transaction settled by the controlling shareholder (Note 18 (iii))	1,867	—
	<u>44,533</u>	<u>26,925</u>

(c) Other items

	Note	Six months ended 30 June	
		2014	2013
		RMB'000	RMB'000
Amortisation			
– intangible assets		91	67
– lease prepayments		655	655
Depreciation	(i)	6,637	6,066
Net foreign exchange loss		466	1,228
Operating lease charges in respect of leased property, plant and equipment		3,738	3,642
Research and development costs	(i)	<u>5,391</u>	<u>5,028</u>

- (i) Research and development costs for the six months ended 30 June 2014 included RMB3,874,000 (six months ended 30 June 2013: RMB3,308,000) 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	
	2014	2013
	RMB'000	RMB'000
<b>Current tax - PRC income tax</b>		
Provision for the period	19,679	16,899
Under-provision in respect of prior year	512	—
<b>Deferred tax</b>		
Origination and reversal of temporary differences	—	(673)
	<u>20,191</u>	<u>16,226</u>

- (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. The directors consider that Bloomage Biopharm satisfies the conditions of advanced and new technology enterprise and Bloomage Biopharm is applying for an extension of the concession on PRC income tax of 10% for the three years ending 31 December 2016. Accordingly, the applicable PRC income tax rate of Bloomage Biopharm for the six months ended 30 June 2014 is 15% (six months ended 30 June 2013: 15%).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

7 INCOME TAX (continued)

- (ii) Pursuant to the PRC income tax law, 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, 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.

As at 30 June 2014, temporary differences relating to the undistributed profits of Bloomage Biopharm amounted to RMB291,285,000 (31 December 2013: RMB208,689,000). Deferred tax liabilities of RMB14,564,000 (31 December 2013: RMB10,434,000) 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.

- (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 2014 (six months ended 30 June 2013: Nil).

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the profit attributable to equity shareholders of the Company of RMB83,764,000 (six months ended 30 June 2013: RMB73,415,000) and the weighted average of 332,000,000 ordinary shares (six months ended 30 June 2013: 312,331,000 ordinary shares) in issue during the interim period, calculated as follows:

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

	Six months ended 30 June	
	2014	2013
	'000	'000
Issued ordinary shares at 1 January	332,000	312,000
Effect of exercise of unlisted warrants	—	331
	332,000	312,331
Weighted average number of ordinary shares (basic) at 30 June	332,000	312,331

## 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 2014 is based on the profit attributable to equity shareholders of the Company of RMB83,764,000 (six months ended 30 June 2013: RMB73,415,000) and the weighted average number of 346,257,000 ordinary shares (six months ended 30 June 2013: 327,689,000 ordinary shares), calculated as follows:

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

	Six months ended 30 June	
	2014	2013
	'000	'000
Weighted average number of ordinary shares at 30 June	332,000	312,331
Effect of deemed issue of shares under the Company's share option scheme and for warrants granted to a director for nil consideration (Note 18)	14,257	3,175
Effect of exercise of unlisted warrants	—	12,183
Weighted average number of ordinary shares (diluted) at 30 June	<u>346,257</u>	<u>327,689</u>

## 9 PROPERTY, PLANT AND EQUIPMENT, NET

## (a) Acquisitions and disposals

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment with a cost of RMB697,000 (six months ended 30 June 2013: RMB678,000). There was no property, plant and equipment disposed of during the six months ended 30 June 2014.

## (b) Transfer from construction in progress

During the six months ended 30 June 2014, construction in progress with a cost of RMB1,586,000 (six months ended 30 June 2013: RMB7,063,000) were completed and transferred to property, plant and equipment.

(c) As at 30 June 2014, property certificates of certain properties of the Group with an aggregate net book value of RMB6,462,000 (31 December 2013: RMB6,462,000) are yet to be obtained.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

10 CONSTRUCTION IN PROGRESS

It mainly represented the Group's construction in progress for HA production facilities. During the six months ended 30 June 2014, construction in progress had an addition of RMB148,591,000 (six months ended 30 June 2013: RMB97,474,000).

11 TRADE AND OTHER RECEIVABLES

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

	<b>At 30 June 2014 RMB'000</b>	At 31 December 2013 RMB'000
Within 3 months	<b>114,160</b>	57,909
3 to 6 months	<b>6,429</b>	11,356
6 to 9 months	<b>1,777</b>	4,715
Over 9 months	<b>5,253</b>	76
Trade and bills receivable	<b>127,619</b>	74,056
Prepayments and other receivables	<b>14,714</b>	10,797
Other receivables due from related parties	<b>2,835</b>	2,184
	<b>145,168</b>	87,037

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 2014, 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

	<b>At 30 June 2014 RMB'000</b>	At 31 December 2013 RMB'000
Cash at bank and in hand	<b>189,055</b>	205,429
Less: restricted cash (i)	<b>(4,700)</b>	(36,000)
Cash and cash equivalents	<b><u>184,355</u></b>	<u>169,429</u>

- (i) At 30 June 2014, restricted cash represents time deposit placed with a bank for issuance of banker's acceptance bills (at 31 December 2013, restricted cash represented deposits for obtaining a bank loan).

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 31 December 2013, the secured bank loan represented a revolving bank loan for financing the working capital of the Group.

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 and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	<b>At 30 June</b>	At 31 December
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Within 3 month	<b>26,355</b>	8,621
3 to 6 months	<b>774</b>	130
Over 6 months	<b>150</b>	—
	<hr/>	<hr/>
Trade creditors and bills payable	<b>27,279</b>	8,751
Payables for construction of plant and purchase of equipment	<b>84,536</b>	37,136
Receipts in advance	<b>2,580</b>	759
Value added tax payable	<b>12,406</b>	4,848
Preferred share dividends payable	<b>6,892</b>	—
Other payables due to related parties	<b>53</b>	34
Accrued expenses and other payables	<b>7,869</b>	7,202
	<hr/>	<hr/>
	<b>141,615</b>	58,730
	<hr/> <hr/>	<hr/> <hr/>

The ageing analysis of trade creditors and bills payable is as follows:

	<b>At 30 June</b>	At 31 December
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
Due within 1 month or on demand	<b>27,279</b>	8,751
	<hr/> <hr/>	<hr/> <hr/>

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

## 16 PREFERRED SHARES

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
At 1 January	54,639	54,748
Dividends during the period (Note 6(a))	4,405	4,488
Dividends of preferred shares declared	(9,892)	(9,159)
	<u>49,152</u>	<u>50,077</u>
Less: current portion of preferred shares	(10,684)	(9,892)
At 30 June	<u><u>38,468</u></u>	<u><u>40,185</u></u>

## (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	At
	30 June	31 December
	2014	2013
	RMB'000	RMB'000
Within 1 year	10,684	9,892
After 1 year but within 5 years	30,293	30,708
After 5 years	8,175	14,039
	<u><u>49,152</u></u>	<u><u>54,639</u></u>

## 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**

**(i) Share option scheme**

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 company in the Group, to take up options at consideration of HKD 1.0 to subscribe for shares of the Company.

For the options granted in 2012, 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.

For the options granted in 2013, subject to the satisfaction of certain performance conditions, 25% of the options vest after one year from the date of grant and are then exercisable within a period of four years, 25% of the options vest after two years from the date of grant and are then exercisable within a period of three years, 25% of the options vest after three years from the date of grant and are then exercisable within a period of two years and the remaining 25% of the options vest after four years from the date of grant and are then exercisable within a period of one year.

Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

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

## 18 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

## (i) Share option scheme (continued)

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

	Number of instruments	Vesting conditions	Contractual life of options
<b>Options granted to directors:</b>			
– 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
– on 23 December 2013 (being the date on which the grant of options became unconditional) ("Grant Date")	1,660,000	One year from the Grant Date and turnover of the Group for the year ended 31 December 2013 is not less than 130% of that for the year ended 31 December 2012 ("FY 2012")	5 years
– on 23 December 2013	1,660,000	Two years from the Grant Date and turnover of the Group for the year ending 31 December 2014 is not less than 169% of that for FY 2012	5 years
– on 23 December 2013	1,660,000	Three years from the Grant Date and turnover of the Group for the year ending 31 December 2015 is not less than 211.25% of that for FY 2012	5 years
– on 23 December 2013	1,660,000	Four years from the Grant Date and turnover of the Group for the year ending 31 December 2016 is not less than 264.0625% of that for FY 2012	5 years

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

18 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(i) Share option scheme (continued)

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

	Number of instruments	Vesting conditions	Contractual life of options
<b>Options granted to employees:</b>			
– 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
– on 29 October 2013	830,000	One year from the date of grant	5 years
		and turnover of the Group for the year ended 31 December 2013 is not less than 130% of that for FY 2012	
– on 29 October 2013	830,000	Two years from the date of grant	5 years
		and turnover of the Group for the year ending 31 December 2014 is not less than 169% of that for FY 2012	
– on 29 October 2013	830,000	Three years from the date of grant	5 years
		and turnover of the Group for the year ending 31 December 2015 is not less than 211.25% of that for FY 2012	
– on 29 October 2013	830,000	Four years from the date of grant	5 years
		and turnover of the Group for the year ending 31 December 2016 is not less than 264.0625% of that for FY 2012	
Total share options granted	22,440,000		

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

## 18 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

## (i) Share option scheme (continued)

(b) The number and weighted average exercise prices of share options are as follows:

	Six months ended 30 June 2014		Year ended 31 December 2013	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period/year	HKD 9.85	22,440,000	HKD 4.422	12,480,000
Granted during the period/year	not applicable	—	HKD 16.652	9,960,000
Outstanding at the end of the period/year	<u>HKD 9.85</u>	<u>22,440,000</u>	<u>HKD 9.85</u>	<u>22,440,000</u>
Exercisable at the end of the period/year	<u>HKD 4.422</u>	<u>6,240,000</u>	<u>HKD 4.422</u>	<u>6,240,000</u>

## (ii) Warrants granted to a director

On 29 October 2013, upon the re-designation of Mr. Jin Xuekun ("Mr. Jin") as an executive director from an independent non-executive director and the appointment of Mr. Jin as chief executive officer of the Company, the Company entered into the warrant subscription agreement (the "Warrant Subscription Agreement") with Wealthy Delight Group Limited (as Subscriber), a company the entire issued share capital of which is legally and beneficially owned by Mr. Jin, and Mr. Jin (as guarantor of the Subscriber to guarantee the performance by the Subscriber of its obligations under the Warrant Subscription Agreement), pursuant to which the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for 16,600,000 warrants (the "Warrants") at the issue price of HK\$0.01 per Warrant (the "Warrant Subscription"). Each of the Warrants carries the right to subscribe for one warrant share at the exercise price of HKD 16.652 per warrant share initially (subject to adjustment) during the period from the date of the first anniversary of the completion of the Warrant Subscription to the date before the fifth anniversary of the warrant completion date in four equal installments.

On 23 December 2013, the shareholders of the Company approved the Warrant Subscription in an extraordinary general meeting. As there were no explicit or implicit vesting conditions attached to the Warrants, the Warrants were treated as granted and vested on 23 December 2013 and relevant share-based payment expenses of the Warrants granted were charged to profit or loss immediately.

Relevant details of the Warrants are listed below.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

18 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(ii) Warrants granted to a director (continued)

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

Date of grant	Number of instruments	Vesting conditions	Exercisable period	Contractual life of warrants
23 December 2013	4,150,000	None	From 27 December 2014 to 26 December 2018	5 years
23 December 2013	4,150,000	None	From 27 December 2015 to 26 December 2018	5 years
23 December 2013	4,150,000	None	From 27 December 2016 to 26 December 2018	5 years
23 December 2013	4,150,000	None	From 27 December 2017 to 26 December 2018	5 years
	16,600,000			

(b) The number and weighted average exercise prices of the Warrants are as follows:

	Six months ended 30 June 2014		Year ended 31 December 2013	
	Weighted average exercise price	Number of warrants	Weighted average exercise price	Number of warrants
Outstanding at the beginning of the period/year	HKD 16.652	16,600,000	not applicable	—
Granted during the period/year	not applicable	—	HKD 16.652	16,600,000
Outstanding at the end of the period/year	HKD 16.652	16,600,000	HKD 16.652	16,600,000
Exercisable at the end of the period/year	HKD 16.652	—	HKD 16.652	—

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

## 18 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

## (iii) Group share-based payment transaction settled by the controlling shareholder

On 22 May 2014, AIM First Investments Limited (“AIM First”, the controlling shareholder of the Company), Ms. Zhao Yan (as warrantor for AIM First), Wealthy Delight Group Limited (“Wealthy Delight”) and Mr. Jin (as warrantor for Wealthy Delight) entered into an option agreement (the “Option Agreement”). Pursuant to the Option Agreement, AIM First granted a call option (the “AIM First Call Option”) to Wealthy Delight for the purchase of 9,960,000 shares of the Company (the “Option Shares”) held by AIM First. The AIM First Call Option is exercisable from 22 May 2014 to 22 May 2019 at HK\$5.80 per share (the “Transfer Price”). Also, pursuant to the same Option Agreement, Wealthy Delight granted a call option to AIM First to require Wealthy Delight to transfer the Option Shares or any part thereof held by Wealthy Delight to AIM First at the Transfer Price on the condition that AIM First Call Option has been exercised by Wealthy Delight and Mr. Jin resigns as the chief executive officer of the Company due to personal reasons. The call option granted by Wealthy Delight to AIM First is exercisable from the completion date of the transfer of the relevant Option Shares under the AIM First Call Option to 22 May 2019. The Transfer Price and/or the number of the Option Shares are subject to adjustment upon any consolidation or subdivision of shares of the Company during the term of the Option Agreement. The arrangements under the Option Agreement are to provide incentive to Mr. Jin to remain as the chief executive officer of the Company.

This transaction is accounted for as a group share-based payment transaction settled by the controlling shareholder and AIM First Call Option is treated as vesting in a five-year period. During the six months ended 30 June 2014, expenses related to this group share-based payment transaction of RMB1,867,000 have been recognised in profit or loss.

## 19 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 2014 (six months ended 30 June 2013: Nil).

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB'000</b>	RMB'000
2013 final dividends, approved and paid during the interim period, of HK\$1.9 cents per ordinary share (2012 final dividends: HK\$2.0 cents per ordinary share)	<b>4,960</b>	5,043

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

**19 DIVIDENDS AND CAPITAL** (continued)

**(c) Share capital**

	30 June 2014		31 December 2013	
	No. of shares	HK\$'000	No. of shares	HK\$'000
<b>Authorised:</b>				
<b>Ordinary shares of HK\$0.01 each</b>	<b><u>1,000,000,000</u></b>	<b><u>10,000</u></b>	<b><u>1,000,000,000</u></b>	<b><u>10,000</u></b>
	2014		2013	
	No. of shares	RMB'000	No. of shares	RMB'000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January	<b>332,000,000</b>	<b>2,961</b>	312,000,000	2,801
Shares issued on exercise of warrants	<u>—</u>	<u>—</u>	<u>20,000,000</u>	<u>160</u>
At 30 June/31 December	<b><u>332,000,000</u></b>	<b><u>2,961</u></b>	<b><u>332,000,000</u></b>	<b><u>2,961</u></b>

**20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**
**(a) Financial assets and liabilities measured at fair value**
*(i) Fair value hierarchy*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

20 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

(a) Financial assets and liabilities measured at fair value (continued)

(i) Fair value hierarchy (continued)

	Fair value measurements as at 30 June 2014 using			
	Fair value at 30 June 2014 RMB'000	Quoted price in active market for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
<b>Recurring fair value measurement</b>				
Financial assets:				
Available-for-sale financial assets	<u>50,000</u>	—	<u>50,000</u>	—

	Fair value measurements as at 31 December 2013 using			
	Fair value at 31 December 2013 RMB'000	Quoted price in active market for identical assets (Level 1) RMB'000	Significant other observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000
<b>Recurring fair value measurement</b>				
Financial assets:				
Available-for-sale financial assets	<u>97,000</u>	—	<u>97,000</u>	—

During the six months ended 30 June 2014, there have been no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2013: 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)

20 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 2014.

In respect of cash and cash equivalents, restricted cash, trade and other receivables 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 2014 has not been disclosed.

21 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2014 not provided for in the interim financial report are as follows:

	At 30 June 2014 RMB'000	At 31 December 2013 RMB'000
Authorised and contracted for	2,113	69,594
Authorised but not contracted for	—	71,842
	<u>2,113</u>	<u>141,436</u>

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

## 22 MATERIAL RELATED PARTY TRANSACTIONS

## (a) Transactions with related parties

Significant related party transactions during the six months ended 30 June 2014 are as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	RMB'000
Purchase of materials from related parties	13,136	7,066
Dividends on preferred shares paid	3,000	9,159
Lease of buildings and plant to related parties	1,301	1,179
Rental expense for lease of properties from a related party	3,672	3,608

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.

## (b) Balances with related parties:

As at the end of the reporting period, the Group had the following balances with related parties:

	At	At
	30 June	31 December
	2014	2013
	RMB'000	RMB'000
Trade and other receivables	2,863	2,184
Trade and other payables	7,568	2,730
Preferred shares, including current portion	49,152	54,639
Preferred shares dividends payable	6,892	—

## 23 EVENTS AFTER THE REPORTING PERIOD

No events requiring disclosure occurred between the end of the reporting period 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 16 to 45 which comprises the consolidated statement of financial position of Bloomage BioTechnology Corporation Limited as at 30 June 2014 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 2014 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

20 August 2014