



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

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

2015
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
High-tech Development Zone
Jinan City
Shandong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2001-2006, 20th Floor
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Central
Hong Kong

AUDITORS

KPMG
8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAWS

Loong & Yeung
Suites 2001-2006, 20th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

COMPANY WEBSITE

www.bloomagebio-tech.com

PRINCIPAL BANKERS

Jinan Branch of the Bank of China
China Everbright Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
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Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
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Hong Kong

STOCK CODE

00963

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP

Bloomage BioTechnology Corporation Limited (the "Company", and together with its subsidiaries, the "Group") is an investment holding company. In recent years, the Company pushed forward its strategic transformation in a steady manner, and succeeded in transforming from a raw material producer and supplier to an end product producer and service provider. Its main current business covers two areas:

The first is the development, manufacture and sale of raw materials for a diversified range of hyaluronic acid (also known as hyaluronan, sodium hyaluronate, hyaluronic acid sodium, "HA") products and derivatives leveraging on bio-fermentation technology. 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 and excipients in pharmaceutical, cosmetic and healthcare products. The HA raw materials products of the Group include more than 70 product models under three major grades, namely pharmaceutical grade HA, cosmetic grade HA and food grade HA, which can meet product demand from different customers. The Group can also provide customized products upon request.

The second is the development, manufacture, distribution and sale of end products with HA as the main component and function feature. The main end products that the Group has successfully launched include Hyaluronan Soft Tissue Filling Gel (trade name "BioHyalux", an injection cosmetic filler products), medical skin care products with hyaluronic acid, Medical Sodium Hyaluronate Gel for ophthalmologic use (trade name "Hymois") and bone products for intra-articular injection (trade name "Hyprojoint"), which involve cosmetics, pharmaceuticals and other aspects of daily lives. Based on the hyaluronic acid as the core, the Group is committed to developing into the provider of the full series of products and solutions.

Adhering to scientific and technological innovation as a driving force for development and leveraging on its 20 years' experience in research and development, the Group has constantly been looking for new breakthrough points for scientific and technological innovation, so as to seize the opportunities for future development. The Group has pushed forward its transformation and upgrade from its original products through integrating with and absorbing new technologies and products around the world, and strives to create the first "Terminal+ Application+ Contents+ Platform" medical beauty ecological chain so as to deliver good performance and create more values for the society.

BUSINESS REVIEW

In the first half of 2015, the global economy presented a trend of unbalanced development, economic growth in the PRC slowed down, but high profit and high return in the beauty plastic surgery industry became a new source of wealth creation in the medical sector, and brought new market opportunities to the fast growing emerging cosmetics raw material industry. For the six months ended 30 June 2015, the Group's revenue amounted to approximately RMB312.002 million, representing an increase of approximately 27.9% as compared with approximately RMB243.847 million in the corresponding period of 2014. Its profit for the six months ended 30 June 2015 was approximately RMB99.687 million, representing an increase of approximately 19.0% from approximately RMB83.763 million in the corresponding period of 2014. Excluding the effect of the non-cash equity-settled share-based payment expenses of approximately RMB12.101 million (six months ended 30 June 2014: RMB9.920 million), the Group's profit for the six months ended 30 June 2015 was approximately RMB111.788 million (six months ended 30 June 2014: RMB93.683 million), representing an increase of approximately 19.3% as compared with the corresponding period of 2014.

HA raw material products business – sales strategy depends on category, product are optimized with continuous innovations

During the first half of 2015, the raw material business of the Group achieved remarkable results, sales increased by 30.6% year-on-year. By joining with global industry development trend, the Group decomposed and implemented the strategic objectives of the Company, and expanded the raw material market with great effort through technology innovation, service innovation, product innovation and by leveraging on such channels as exhibitions, promotions and new product seminars.

During the first half of 2015, the market prices of food-grade HA, in which competition was most intense, tended to be stable. Leveraging on the strategic cooperation advantages, the Group optimized its sales channels and steadily expanded its customer resources. The addition of innovative products and non-HA cosmetic raw materials provided new driving force for growth in the cosmetic grade raw material business. In the medical HA market where the Company enjoyed a technological and product edge, better sales results were achieved through channel integration and refined and professional marketing.

During the first half of 2015, the Group launched and released a number of new HA raw material products, including the first professional anti-aging, anti-haze and anti-pollution HA elastic product Hyacross™ in China based on the Company's core HA cross-linking technique, the highly harmonious HA product cationHA™ designed for hair care products with scalp barrier improving function. New products were developed continuously, professional customized services were provided in response to customers' demand and all-round technical support to customers covering from product usage to assessment of effects had satisfied the multi-level product development demand of customers, and offered continuous driving momentum of growth to the raw material business of the Group.

With the completion and commencement of production of the Group's new production base, the supply capacity and product quality of the Group were further secured, and the increase in economies of scale of the new plant bases, the improvement in production efficiency upon technology upgrade and optimization of the production and allocation of products would enhance the core competitiveness of the Group and facilitate stable development of the Group.

HA end product business - comprehensively deepening strategic arrangement to advance the construction of the medical beauty ecological platform

In the first half of 2015, the Group's HA end product business continued to focus on the development of Hyaluronan Soft Tissue Filling Gel (BioHyalux); meanwhile, the Group also developed the markets for skin health and surgical products actively. The Group continued to further penetrate into the existing market for BioHyalux, revenue from end products increased by 22.2%.

In the first half of 2015, with respect to market strategies for BioHyalux, the Group cooperated with international authoritative experts to launch the unique concept of "OGEE curve" and the exclusive injection method of "BV5" lifting, which created a niche in the market and brought a new spot of growth for BioHyalux. Meanwhile, the Group further promoted the biological activated combined treatment ("BACT") and the HA medical customization centre ("Med潤 • Spa") projects, and customized exclusive treatment and care projects were launched in collaboration with a number of famous medical beauty institutions. Through various product portfolios, including BioHyalux, global avant-garde beauty equipment and unique medical skin care products, etc., customized solutions were provided to resolve personal facial problems of each customer, moving away from the situation of competition in an increasingly homogeneous market landscape with reliance on a single product, which had also developed emerging market and channel for medical skin care products of the Group.

Medical training has always been an important supporting service provided by the Group. In the first half of 2015, the Group conducted substantial specialized technical training activities through the Bloomage Institute. Trainees in the industry included doctors, consultants and institution operators. Through such professional training, the cooperative relationship among doctors, experts and BioHyalux became much closer, and not only ancillary supports for the Group's end products at the marketing level were provided, but also the Group's professional image and position in the medical beauty industry was significantly enhanced.

Research & development and quality – strengthening new product and qualification reserves, enriching product systems

In the first half of 2015, the Group continued to research and produce and reserve a number of products and obtained relevant qualifications, providing important protection for a rich product system of the Group.

The Group continuously introduced new raw material products with successful launch of Hyacross™, the first HA elastomer in the PRC, and cationHA™, a high-affinity HA, in March 2015. On research and development of end products, a range of HA injection filler products and HA beauty shaping products are in the process of development. The technological innovation projects in Shandong, "Research and Development of HA injection fluid" and "Research and Production of HA cavity lubricant" have passed acceptance inspection.

In terms of domestic qualification, more than 10 cosmetics had completed filing procedures; the approval process for the first health food "Oral HA moisturizing capsule" (「優活膠囊」) was also completed and will obtain the health food certificate soon. Moreover, the Group had completed the development of disinfection and sanitation products and obtained the production permit for sanitation and disinfection products.

In terms of international registration, the Group has obtained the CE certificate of EU Class III medical devices for the HA injection fluid. The CEP registration document for eye drops grade hyaluronic acid (HA-E2.0, HA-E3.0) has been submitted to the European Medicines Quality Assurance Agency, and the registration of pharmaceutical grade hyaluronic acid is under the official approval process in India, South Korea and Russia.

Capital operation – integrating international advantageous resources, improving the end product industrial chain

During the first half of 2015, the Group took advantage of the world's top-notch medical beauty product and the implementation of the "medical beauty ecological chain" strategy. The Group formed strategic cooperations with Laboratoires Vivacy SAS ("Vivacy"), an European renowned brand owner of HA injection fillers, and Medytox Inc., a Korean pharmaceutical enterprise, through acquisition of equity interest and establishment of a joint venture company which were completed on 15 July 2015 and 24 July 2015 respectively, which will drive the Group's leaping development in China and, in turn, the international medical beauty industry.

Through equity acquisition, the Group becomes a holder of approximately 33.41% of the issued capital of Vivacy and has obtained the exclusive agency right of Vivacy products in over 20 countries and regions, including China and Australia. Vivacy was founded in 2007 and is a French company specialized in designing, developing, manufacturing and selling of anti-aging and rejuvenation products. Vivacy, being a fast growing high-end HA injection filler product provider in Europe, has avant-garde third generation HA injection filler cross-linking technique. Registration for its product in China is in the process. Its product will create synergy effect with BioHyalux to maintain the Group's competitive advantage in the HA injection market.

Medytox owns the brand of Type A Botulinum Toxin (“Botulinum Toxin”), which is the top in terms of market share in South Korea, and is the fourth company in the world that has successfully researched and developed Botulinum Toxin and possesses outstanding global research and development capabilities. The Group and Medytox have set up a joint venture (in which each of them owns 50% equity interest) to collaborate in the development of the Botulinum Toxin market in China. Botulinum Toxin and HA are the two major core product categories in the medical beauty area. The cooperation with Medytox will be an important complement for the “contents” for the Group to establish a medical ecological chain platform, which will enable more effective utilization of the Group’s advantages of the “medical beauty ecological chain” strategy in “end-user + application + contents + platform”, establishing a solid foundation for the transformation of the Group into a medical beauty overall solution provider.

BUSINESS OUTLOOK

Looking backward, the Group has made its transformation with clear goals and firm pace from producing raw materials to producing end products, from owning a single product to owning a product portfolio and from a product supplier to a solution provider, and has explored new business fields and growth potential again and again. Looking forward, the Group will continue to establish strategic foothold in its medical beauty platform and continue to maintain the growth of its existing business in order to further increase consumers’ stickness and improve its own competitive advantages.

In terms of HA raw materials, by leveraging on the fermentation technology platform advantages for more than 20 years and a keen and thorough understanding of cosmetics, pharmaceutical raw materials and the food industry, the Group will continue to launch the high-tech and high value-added raw material products that possess independent intellectual property rights to meet or lead the market demand. Based on the current HA series raw material products, the raw material product lines will be further enriched to meet the demand of customers for different products. Through innovatively managing the sales team, the original single region-based sales organization management will be adjusted to a compound sales organization management focusing on the product-based sales organization management, and will continuously expand sales channels and broaden product application areas. The diversified and innovative product lines, and the enhancing and transforming sales force will further ensure the stable growth and continuous enhancement of our market share.

In terms of HA end products, the Group will continue to push forward the implementation of the medical beauty ecological chain strategy and develop more business modes, through launching new products in the market and promotion and application of new technologies. Meanwhile, the Group will speed up the market layout of skin health products and surgical products, and enhance the overall BLOOMAGE brand by the combined forces of different types and varieties of products.

FINANCIAL REVIEW

REVENUE

The Group's revenue for the six months ended 30 June 2015 was approximately RMB312.002 million, representing an increase of approximately 27.9% as compared to the corresponding period of 2014. The increase in revenue was mainly attributable to the increase in sales of cosmetic grade HA raw materials and HA end products. The breakdown of the Group's revenue by products was as follows:

	Six months ended 30 June			
	2015		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
HA raw materials	210,391	67.4	161,044	66.0
HA end products	100,309	32.2	82,092	33.7
Others	1,302	0.4	711	0.3
Total	312,002	100.0	243,847	100.0

COST OF SALES

Cost of sales of the Group for the six months ended 30 June 2015 was approximately RMB83.766 million, representing an increase of approximately 46.2% as compared to approximately RMB57.294 million for the corresponding period of 2014. 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 2015 decreased to approximately 73.2% from approximately 76.5% for the corresponding period of 2014. The decrease was mainly due to the increase in the categories of HA products and change in the sales mix of HA raw materials.

OTHER REVENUE

Other revenue of the Group was approximately RMB6.123 million for the six months ended 30 June 2015, representing an increase of approximately RMB0.587 million as compared to the corresponding period of 2014. The increase in other revenue was mainly attributable to the increase of interest income from available-for-sale financial assets as compared to the six months ended 30 June 2014.

DISTRIBUTION COSTS

The Group's distribution costs for the six months ended 30 June 2015 were approximately RMB44.222 million, representing an increase of approximately 17.3% from approximately RMB37.714 million for the corresponding period of 2014. 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 2015 were approximately RMB56.740 million, representing an increase of approximately 28.3% from approximately RMB44.227 million for the corresponding period of 2014. The increase in administrative expenses was mainly due to the 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 RMB12.101 million (six months ended 30 June 2014: approximately RMB9.920 million), the Group's administrative expenses for the six months ended 30 June 2015 were approximately RMB44.639 million (six months ended 30 June 2014: approximately RMB34.307 million), representing an increase of approximately 30.1% as compared with the corresponding period of 2014.

OTHER OPERATING EXPENSES

The Group's other operating expenses for the six months ended 30 June 2015 were approximately RMB1.910 million, representing an increase of approximately 68.7% from approximately RMB1.132 million for the corresponding period of 2014.

FINANCE COSTS

The Group's finance costs for the six months ended 30 June 2015 were approximately RMB4.227 million, representing a decrease of approximately 16.5% from approximately RMB5.062 million for the corresponding period of 2014. 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 2015 was approximately RMB99.687 million, representing an increase of approximately 19.0% from approximately RMB83.763 million for the corresponding period of 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2015, the current assets of the Group were approximately RMB815.408 million (31 December 2014: approximately RMB516.397 million) and the current liabilities were approximately RMB351.039 million (31 December 2014: approximately RMB160.654 million). As at 30 June 2015, the current ratio of the Group was approximately 232.3% (31 December 2014: approximately 321.4%). The decrease in current ratio was mainly due to the increase in secured bank loan.

As at 30 June 2015, cash and cash equivalents of the Group were approximately RMB305.840 million (31 December 2014: approximately RMB187.840 million), of which approximately 19% (31 December 2014: approximately 87%) was denominated in RMB, approximately 2% (31 December 2014: approximately 6%) in Hong Kong dollars, approximately 5% (31 December 2014: approximately 7%) in United States dollars ("USD") and approximately 2% (31 December 2014: approximately 0%) in Japanese Yen ("JPY") and approximately 72% (31 December 2014: nil) in Euro.

The cash and cash equivalents denominated in Euro as at 30 June 2015 mainly represent the unused proceeds from the secured bank loan obtained for the acquisition of equity interest in V Plus SA. These proceeds were subsequently used upon the completion of the aforesaid acquisition.

As at 30 June 2015, the Group's total borrowing was RMB220.437 million (31 December 2014: nil).

As at 30 June 2015, total liabilities were approximately RMB396.327 million (31 December 2014: approximately RMB212.937 million). The Group's gearing ratio (calculated by dividing total liabilities by total assets) as at 30 June 2015 was approximately 31.6% (31 December 2014: approximately 22.1%). The increase in gearing ratio as at 30 June 2015 as compared to that as at 31 December 2014 was principally attributable to the increase in secured bank loan.

Net cash generated from operating activities for the six months ended 30 June 2015 was approximately RMB72.500 million (six months ended 30 June 2014: approximately RMB62.670 million). Net cash outflow from investing activities for the six months ended 30 June 2015 was approximately RMB174.651 million (six months ended 30 June 2014: approximately RMB3.573 million). The net cash outflow from investing activities is mainly due to the increase of restricted cash of RMB214.197 million in relation to a bank loan obtained for the acquisition of equity interest in V Plus SA. Net cash inflow from financing activities for the six months ended 30 June 2015 was approximately RMB220.243 million (six months ended 30 June 2014: cash outflow from financing activities of approximately RMB44.617 million). The net cash inflow from financing activities is mainly due to the obtaining of a bank loan of RMB220.437 million for the acquisition of equity interest in V Plus SA.

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.

FOREIGN EXCHANGE RISK AND CONTINGENT LIABILITIES

The sales of the Group were principally denominated in RMB, USD and JPY, with the majority of which denominated in RMB. The Group's secured bank loan at 30 June 2015 was denominated in Euro. Although the Group may be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations (other than the fluctuation of exchange rate of Euro) 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. The Group will closely monitor the foreign exchange risk and take appropriate measures when needed to address the risk.

As at 30 June 2015, the Group had no contingent liabilities (31 December 2014: Nil).

CAPITAL COMMITMENT

As at 30 June 2015, the capital commitment for construction of property, plant and equipment of the Group was approximately RMB1.364 million (31 December 2014: approximately RMB6.190 million).

EMPLOYEE INFORMATION

As at 30 June 2015, the Group had 587 employees (31 December 2014: 568 employees) the majority of whom were stationed in the PRC. Total remuneration for the six months ended 30 June 2015 amounted to approximately RMB58.632 million (six months ended 30 June 2014: approximately RMB44.533 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 2015, the Group has pledged bank deposit of RMB230.000 million, property, plant and equipment of RMB244.270 million and lease prepayments of RMB59.815 million for issuance of letters of guarantee issued by a PRC bank that in turn secure the bank loan borrowed from a Macau bank.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save as disclosed below, during the six months ended 30 June 2015, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Group.

Acquisition of 37.32% of Issued Share Capital of V Plus SA ("V Plus")

On 26 May 2015, the Company (as purchaser) entered into a sale and purchase agreement (the "Sale and Purchase Agreement") with an individual (holding 858,304 shares of V Plus, representing approximately 55.02% of its entire issued share capital) (the "Major Shareholder") and two individuals (in aggregate holding 241,000 shares of V Plus, representing approximately 15.45% of its entire issued share capital) (together with the Major Shareholders, collectively, the "Vendors"), pursuant to which the Company agreed to purchase and the Vendors agreed to sell at a consideration of EUR59,000,000 (subject to adjustment based on the Sale and Purchase Agreement) the 582,192 shares of V Plus (of which 507,232 shares to be sold by the Major Shareholder and 74,960 shares in aggregate to be sold by the two other individuals, representing 37.32% of the issued shares of V Plus, which in turn holds 15,613 shares of Laboratoires Vivacy SAS ("Vivacy") (representing 89.51% of the issued share capital of Vivacy). Vivacy is a privately held company based in France with limited liability. For details of this acquisition, please refer to the announcement of the Company dated 26 May 2015.

CONTINUING CONNECTED TRANSACTIONS

On 18 January 2013, Beijing Bloomage Hyinc Technology Company Limited ("Beijing Bloomage Hyinc") entered into a property leasing agreement (the "Property Leasing Agreement") with Beijing Bloomage Central Property Management Co., Ltd ("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 cap of RMB6,252,261.6. As Bloomage Property is currently ultimately owned as to approximately 86.8% by Ms. Zhao Yan, the 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").

As none of the applicable percentage ratios (other than the profits ratio) for the Property Leasing Agreement in aggregate, on an annual basis, exceeds the 5% threshold under Rule 14A.76 of the Listing Rules, the Property Leasing Agreement is only subject to the reporting, annual review and announcement requirements and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the Property Leasing Agreement are set out in the announcement of the Company dated 18 January 2013.

OTHER INFORMATION

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

As at 30 June 2015, the interests and short positions of the Directors and/or chief executive of the Company in any shares (the "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 and underlying Shares

Name of Director	Nature of interest	Number of Shares and underlying 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)	54.71%
		(<i>Note 1</i>)	
	Interest of a controlled corporation (<i>Note 6</i>)	9,960,000 (L)	2.99%
	Interest of a controlled corporation (<i>Note 6</i>)	9,960,000 (S)	2.99%
Ms. Liu Aihua	Beneficial owner	1,000,000 (L)	0.30%
	Interest of a controlled corporation (<i>Note 3</i>)	4,544,000 (L)	1.36%
	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)	4.98%
	Beneficial owner (<i>Note 4</i>)	7,317,500 (L)	2.19%
	Interest of a controlled corporation (<i>Note 6</i>)	9,960,000 (L)	2.99%
	Interest of a controlled corporation (<i>Note 6</i>)	9,960,000 (S)	2.99%

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 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 and underlying Shares which are beneficially owned by AFI for the purpose of the SFO.
- (3) These 4,544,000 Shares 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 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 pursuant to the share option scheme of the Company, and the grant was approved by the independent shareholders of the Company at the extraordinary general meeting held on 23 December 2013. Mr. Jin holds 367,500 Shares through his individual securities account.
- (5) These 16,600,000 warrants were held by Wealthy Delight Group Limited (“Wealthy Delight”) which is 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 (“AFI 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 AFI 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 AFI 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 2015, 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 2015, 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 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 and underlying Shares held/ interested in	Approximate percentage of the issued share capital of the Company
Substantial shareholders			
AFI (Note 2 and 6)	Beneficial owner	182,520,000 (L)	54.71%
		(Note 1)	
		9,960,000 (L)	2.99%
Mr. Wang Yi (Note 3)	Interest of spouse	9,960,000 (S)	2.99%
		183,520,000 (L)	55.01%
		9,960,000 (L)	2.99%
Wealthy Delight (Note 4 and 6)	Beneficial owner	9,960,000 (S)	2.99%
		16,600,000 (L)	4.98%
		9,960,000 (L)	2.99%
Ms. Zhang Lanying (Note 5)	Interest of spouse	9,960,000 (S)	2.99%
		23,917,500 (L)	7.17%
		9,960,000 (L)	2.99%
Yong Rong Asset Management Limited	Investment manager	9,960,000 (S)	2.99%
Yong Rong Global Excellence Fund	Beneficial owner	19,375,000 (L)	5.81%
Macquarie Group Limited	Interest in controlled corporation	19,375,000 (L)	5.81%
		16,765,000 (L)	5.02%

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 and underlying Shares 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 and underlying Shares in which Mr. Jin Xuekun is interested.
- (6) On 22 May 2014, AFI had granted a call option to Wealthy Delight ("AFI 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 AFI 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 AFI 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).

Save as disclosed above, as at 30 June 2015, 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 (“AFI 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 AFI 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 AFI 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.

SUBSEQUENT EVENTS

Completion of the Acquisition of 37.32% of Issued Share Capital of V Plus

On 15 July 2015, the Company completed the acquisition of 37.32% of the issued share capital of V Plus and consideration in the sum of EUR59,000,000 was paid to the Vendors pursuant to the Sale and Purchase Agreement (the “Completion”). Upon Completion, the Company indirectly holds approximately 33.41% of the issued share capital of Vivacy. For details, please refer to the announcement of the Company dated 15 July 2015.

Formation of a Joint Venture Company

On 24 July 2015, the Company and Medytox Inc. (“Medytox”), being a limited liability company incorporated in the Republic of Korea established a joint venture company in Hong Kong (the “JV Company”). Each of the Company and Medytox has 50% shareholding in the JV Company. The JV Company will be principally engaged in the registration, promotion and sales of certain products mainly consisting of Type A Botulinum Toxin in China. For details, please refer to the announcement of the Company dated 27 July 2015.

INTERIM DIVIDEND

The Board does not recommend the declaration or payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2015, 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 2015.

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 of the Company (the “Nomination Committee”) are to make recommendations to the Board on the appointment of Directors and management of the Board’s succession and to ensure that the candidates to be nominated as Directors are experienced, high calibre individuals. The Nomination Committee comprises 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 one executive Director, namely Mr. Jin Xuekun 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 2015. 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 2015. 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

26 August 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2015-unaudited

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Revenue	4	312,002	243,847
Cost of sales		(83,766)	(57,294)
Gross profit		228,236	186,553
Other revenue	5	6,123	5,536
Distribution costs		(44,222)	(37,714)
Administrative expenses		(56,740)	(44,227)
Other operating expenses, net		(1,910)	(1,132)
Profit from operations		131,487	109,016
Finance costs	6(a)	(4,227)	(5,062)
Profit before taxation	6	127,260	103,954
Income tax	7	(27,573)	(20,191)
Profit for the period		99,687	83,763
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)		(21)	931
Total comprehensive income for the period		99,666	84,694

The notes on pages 26 to 49 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

for the six months ended 30 June 2015-unaudited

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Profit attributable to:			
Equity shareholders of the Company		99,688	83,764
Non-controlling interests		(1)	(1)
Profit for the period		99,687	83,763
Total comprehensive income attributable to:			
Equity shareholders of the Company		99,668	84,692
Non-controlling interests		(2)	2
Total comprehensive income for the period		99,666	84,694
Earnings per share (RMB)			
Basic	8(a)	0.299	0.252
Diluted	8(b)	0.292	0.242

The notes on pages 26 to 49 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2015-unaudited

		At 30 June	At 31 December
		2015	2014
	Note	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment, net	9	366,753	375,622
Construction in progress	10	2,333	412
Intangible assets		2,061	1,160
Lease prepayments		59,815	60,470
Deferred tax assets		9,459	11,383
Total non-current assets		440,421	449,047
Current assets			
Inventories		74,324	55,082
Trade and other receivables	11	205,244	177,672
Available-for-sale financial assets		—	80,000
Restricted cash	12	230,000	15,803
Cash and cash equivalents	12	305,840	187,840
Total current assets		815,408	516,397
Current liabilities			
Secured bank loan	13	220,437	—
Trade and other payables	14	99,809	136,577
Current portion of preferred shares	15	11,538	10,683
Income tax payable		19,255	13,394
Total current liabilities		351,039	160,654
Net current assets		464,369	355,743
Total assets less current liabilities		904,790	804,790

The notes on pages 26 to 49 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

at 30 June 2015-unaudited

	Note	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Non-current liabilities			
Deferred income	16	9,653	9,337
Preferred shares	15	35,635	42,946
Total non-current liabilities		<u>45,288</u>	<u>52,283</u>
NET ASSETS		<u>859,502</u>	<u>752,507</u>
CAPITAL AND RESERVES			
Share capital		2,974	2,969
Reserves		856,479	749,487
Total equity attributable to equity shareholders of the Company		<u>859,453</u>	<u>752,456</u>
Non-controlling interests		<u>49</u>	<u>51</u>
TOTAL EQUITY		<u>859,502</u>	<u>752,507</u>

Approved and authorised for issue by the board of directors on 26 August 2015.

Zhao Yan
Director

Jin Xuekun
Director

The notes on pages 26 to 49 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2015-unaudited

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	Exchange reserve	Other reserve	Retained earnings	Total		
Note	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
Changes in equity for the six months ended 30 June 2014:									
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	18(b)	—	—	—	—	(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 26 to 49 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

for the six months ended 30 June 2015-unaudited

Note	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	Exchange reserve	Other reserve	Retained earnings	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 July 2014	2,961	92,220	61,192	(2,986)	88,597	411,954	653,938	61	653,999
Changes in equity for the six months ended 31 December 2014:									
Profit for the period	—	—	—	—	—	78,303	78,303	—	78,303
Other comprehensive income	—	—	—	(328)	—	—	(328)	(10)	(338)
Total comprehensive income for the period	—	—	—	(328)	—	78,303	77,975	(10)	77,965
Equity settled share-based transactions	—	—	—	—	16,629	—	16,629	—	16,629
Shares issued on the exercise of share options granted under share option scheme	8	5,088	—	—	(1,182)	—	3,914	—	3,914
	8	5,088	—	—	15,447	—	20,543	—	20,543
Balance at 31 December 2014	2,969	97,308	61,192	(3,314)	104,044	490,257	752,456	51	752,507

The notes on pages 26 to 49 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

for the six months ended 30 June 2015-unaudited

Note	Attributable to equity shareholders of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	Exchange reserve	Other reserve	Retained earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015	2,969	97,308	61,192	(3,314)	104,044	490,257	752,456	51	752,507
Changes in equity for the six months ended 30 June 2015:									
Profit for the period	—	—	—	—	—	99,688	99,688	(1)	99,687
Other comprehensive income	—	—	—	(20)	—	—	(20)	(1)	(21)
Total comprehensive income for the period	—	—	—	(20)	—	99,688	99,668	(2)	99,666
Appropriation to statutory reserves	—	—	20,941	—	—	(20,941)	—	—	—
Dividends for the year ended 31 December 2014	18(b)	—	—	—	—	(6,578)	(6,578)	—	(6,578)
Equity settled share-based transactions	—	—	—	—	12,101	—	12,101	—	12,101
Shares issued on the exercise of share options granted under share option scheme	5	1,801	—	—	—	—	1,806	—	1,806
	5	1,801	20,941	—	12,101	(27,519)	7,329	—	7,329
Balance at 30 June 2015	2,974	99,109	82,133	(3,334)	116,145	562,426	859,453	49	859,502

The notes on pages 26 to 49 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2015-unaudited

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Operating activities			
Cash generated from operations		91,721	79,059
PRC income tax paid		(19,788)	(17,080)
Interest received		567	691
Net cash generated from operating activities		72,500	62,670
Investing activities			
Payment for purchase of property, plant and equipment, construction in progress and intangible assets		(43,869)	(88,055)
Government grants received		900	3,850
Net disposal of available-for-sale financial assets		80,000	47,000
(Increase) /decrease in restricted cash		(214,197)	31,300
Other cash flows arising from investing activities		2,515	2,332
Net cash used in investing activities		(174,651)	(3,573)
Financing activities			
Proceeds from bank loans		220,437	—
Proceeds from exercise of share options		1,806	—
Repayment of bank loans		—	(36,000)
Dividends paid on preferred shares		(2,000)	(3,000)
Dividends paid to equity shareholders of the Company		—	(4,960)
Other cash flows arising from financing activities		—	(657)
Net cash generated from/(used in) financing activities		220,243	(44,617)
Net increase in cash and cash equivalents		118,092	14,480
Cash and cash equivalents at 1 January	12	187,840	169,429
Effect of foreign exchange rate changes		(92)	446
Cash and cash equivalents at 30 June	12	305,840	184,355

The notes on pages 26 to 49 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”), Beijing Bloomage Hyinc Technology Company Limited and Shandong Bloomage Hyinc Biopharm Company Limited (“Shandong Bloomage Hyinc”), 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 26 August 2015.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 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 2014 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 50.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

2 BASIS OF PREPARATION (continued)

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial report as comparative information does not constitute the Company's annual consolidated financial statements for that financial year but is derived from those financial statements. The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622) (or under their equivalent requirements found in section 141 of the predecessor Hong Kong Companies Ordinance (Cap.32)).

3 CHANGES IN ACCOUNTING POLICIES

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

- *Annual Improvements to IFRSs 2010-2012 Cycle*
- *Annual Improvements to IFRSs 2011-2013 Cycle*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
HA raw materials	210,391	161,044
HA end products	100,309	82,092
Others	1,302	711
	<u>312,002</u>	<u>243,847</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 2015, 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 REVENUE 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
	RMB'000	Asia RMB'000	Americas RMB'000	Others RMB'000	RMB'000
Six months ended 30 June 2015					
HA raw materials and others	145,539	28,658	22,308	15,188	211,693
HA end products	99,722	—	—	587	100,309
	245,261	28,658	22,308	15,775	312,002
Revenue	245,261	28,658	22,308	15,775	312,002
Segment result	189,946	17,681	5,929	10,995	224,551
Unallocated income and expenses					(93,064)
Profit from operations					131,487
Finance costs					(4,227)
Income tax					(27,573)
Profit for the period					99,687
Six months ended 30 June 2014					
HA raw materials and others	111,849	18,225	19,130	12,551	161,755
HA end products	82,092	—	—	—	82,092
	193,941	18,225	19,130	12,551	243,847
Revenue	193,941	18,225	19,130	12,551	243,847
Segment result	154,014	8,815	13,224	8,240	184,293
Unallocated income and expenses					(75,277)
Profit from operations					109,016
Finance costs					(5,062)
Income tax					(20,191)
Profit for the period					83,763

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

5 OTHER REVENUE

	Note	Six months ended 30 June	
		2015 RMB'000	2014 RMB'000
Government grants	(a)	723	1,120
Interest income on cash at bank		567	691
Interest income on available-for-sale financial assets		2,515	2,332
Rental income		1,249	1,301
Others		1,069	92
		<u>6,123</u>	<u>5,536</u>

(a) Government grants

The grants represented incentives and awards of RMB723,000 which were mainly in relation to the Group's expansion of business to overseas markets during the six months ended 30 June 2015 (six months ended 30 June 2014: incentives and awards of RMB1,120,000 mainly in relation to the Group's technical achievement on the research and development of HA products).

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

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2015 RMB'000	2014 RMB'000
Interest on borrowings	—	657
Dividends on preferred shares (Note 15)	4,227	4,405
	<u>4,227</u>	<u>5,062</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

6 PROFIT BEFORE TAXATION (continued)

(b) Staff costs

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Salaries, wages and other benefits	42,566	31,894
Contributions to defined contribution retirement plans	3,965	2,719
Equity settled share-based transaction expenses		
– share option scheme (Note 17 (i))	3,449	8,053
– group share-based payment transaction settled by the controlling shareholder (Note 17 (iii))	8,652	1,867
	<u>58,632</u>	<u>44,533</u>

(c) Other items

	Note	Six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
Amortisation			
– intangible assets		84	91
– lease prepayments		655	655
Depreciation		14,646	6,637
Net foreign exchange (gain)/loss		(682)	466
Operating lease charges in respect of leased property, plant and equipment		3,415	3,738
Research and development costs	(i)	<u>9,384</u>	<u>5,391</u>

- (i) Research and development costs for the six months ended 30 June 2015 included RMB3,631,000 (six months ended 30 June 2014: RMB3,874,000) 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	
	2015	2014
	RMB'000	RMB'000
Current tax - PRC income tax		
Provision for the period	25,393	19,679
Under-provision in respect of prior year	256	512
Deferred tax		
Origination and reversal of temporary differences	1,924	—
	27,573	20,191

- (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 Han Zi (2014) No.136] 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 2014, 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 2014 to 31 December 2016. As a result, the applicable PRC income tax rate of Bloomage Biopharm for the six months ended 30 June 2015 is 15% (six months ended 30 June 2014: 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 2015, temporary differences relating to the undistributed profits of Bloomage Biopharm amounted to RMB469,938,000 (31 December 2014: RMB395,163,000). Deferred tax liabilities of RMB23,497,000 (31 December 2014: RMB19,758,000) 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 2015 (six months ended 30 June 2014: Nil).

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2015 is based on the profit attributable to equity shareholders of the Company of RMB99,688,000 (six months ended 30 June 2014: RMB83,764,000) and the weighted average of 333,328,000 ordinary shares (six months ended 30 June 2014: 332,000,000 ordinary shares) in issue during the interim period, calculated as follows:

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

	Six months ended 30 June	
	2015 '000	2014 '000
Issued ordinary shares at 1 January	333,124	332,000
Effect of exercise of share options granted under share option scheme	204	—
Weighted average number of ordinary shares (basic) at 30 June	<u>333,328</u>	<u>332,000</u>

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 2015 is based on the profit attributable to equity shareholders of the Company of RMB99,688,000 (six months ended 30 June 2014: RMB83,764,000) and the weighted average number of 341,064,000 ordinary shares (six months ended 30 June 2014: 346,257,000 ordinary shares), calculated as follows:

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

	Six months ended 30 June	
	2015	2014
	'000	'000
Weighted average number of ordinary shares at 30 June	333,328	332,000
Effect of deemed issue of shares under the Company's share option scheme and for warrants granted to a director for nil consideration (Note 17)	7,736	14,257
Weighted average number of ordinary shares (diluted) at 30 June	<u>341,064</u>	<u>346,257</u>

9 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Acquisitions and disposals

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment with a cost of RMB1,170,000 (six months ended 30 June 2014: RMB697,000). The Group disposed of property, plant and equipment with a net book value of RMB2,000 during the six months ended 30 June 2015 (six months ended 30 June 2014: RMB nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)**9 PROPERTY, PLANT AND EQUIPMENT, NET** (continued)**(b) Transfer from construction in progress**

During the six months ended 30 June 2015, construction in progress with a cost of RMB4,609,000 (six months ended 30 June 2014: RMB1,586,000) were completed and transferred to property, plant and equipment.

(c) As at 30 June 2015, property certificates of certain properties of the Group with an aggregate net book value of RMB19,838,000 (31 December 2014: RMB181,387,000) are yet to be obtained.

(d) As at 30 June 2015, property, plant and equipment of the Group of RMB244,270,000 (31 December 2014: RMB nil) have been pledged as collateral for the issuance of letters of guarantee by a PRC bank (Note 13).

10 CONSTRUCTION IN PROGRESS

It mainly represented the Group's construction in progress for HA production facilities. During the six months ended 30 June 2015, construction in progress had an addition of RMB6,530,000 (six months ended 30 June 2014: RMB148,591,000).

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, is as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 3 months	134,591	137,736
3 to 6 months	30,147	10,880
6 to 9 months	5,841	8,463
9 to 12 months	4,167	1,183
Over 1 year	1,140	—
	175,886	158,262
Less: allowance for doubtful debts	(345)	—
	175,541	158,262
Prepayments and other receivables	27,369	17,087
Other receivables due from related parties	2,334	2,323
	205,244	177,672

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

11 TRADE AND OTHER RECEIVABLES (continued)

(i) Impairment of trade receivables and bills receivable

The movement in the allowance for doubtful debts during the period/year is as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
At 1 January	—	—
Impairment loss recognised	<u>345</u>	<u>—</u>
At 30 June/31 December	<u>345</u>	<u>—</u>

At 30 June 2015, the Group's trade receivables of RMB345,000 (31 December 2014: RMB nil) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed these receivables were not expected to be recovered. Consequently, specific allowances for doubtful debts of RMB345,000 (31 December 2014: RMB nil) were recognised.

(ii) Trade receivables and bills receivable that are not impaired

The analysis of trade receivables and bills receivable, based on the current and overdue status, that are neither individually nor collectively considered to be impaired are as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Current	148,945	140,562
1 to 3 months overdue	15,794	8,054
3 to 6 months overdue	7,001	8,463
6 months to 1 year overdue	3,744	1,183
More than 1 year overdue	<u>57</u>	<u>—</u>
	<u>175,541</u>	<u>158,262</u>

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.

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)**11 TRADE AND OTHER RECEIVABLES** (continued)**(ii) Trade receivables and bills receivable that are not impaired** (continued)

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Group believes that no impairment allowance is necessary as there has not been any significant change in credit quality and these trade and other receivables were considered fully recoverable. The Group has not held any collateral over these balances.

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

12 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Cash at bank and in hand	535,840	203,643
Less: restricted cash (i)	230,000	15,803
Cash and cash equivalents	<u>305,840</u>	<u>187,840</u>

(i) At 30 June 2015, restricted cash represents time deposits placed with a PRC bank for issuance of letters of guarantee (Note 13). At 31 December 2014, restricted cash represented time deposits placed with a bank for issuance of banker's acceptance bills.

The Group's cash at bank are mainly placed with banks in the PRC, Hong Kong, Macau, 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

13 SECURED BANK LOAN

At 30 June 2015, the secured bank loan represents a loan borrowed from a Macau bank for the acquisition of 37.32% issued share capital of V Plus SA, a limited liability company incorporated in Luxembourg. This loan has an expected term of 3 years, however the loan agreement contains clauses which give the lender the right to demand immediate repayment if the Group fails the bank's annual credit assessment which is determined at the bank's discretion. This bank loan is secured by letters of guarantee issued by a PRC bank. The letters of guarantee issued by the PRC bank are in turn secured by the Group's restricted cash of RMB230,000,000 (Note 12), property, plant and equipment of RMB244,270,000 (Note 9) and lease prepayments of RMB59,815,000.

14 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:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 3 month	27,445	9,979
3 to 6 months	285	19,310
Over 6 months	1,863	1,427
Trade creditors and bills payable	29,593	30,716
Payables for construction of plant and purchase of equipment	24,817	59,707
Receipts in advance	12,295	25,358
Value added tax payable	8,881	7,872
Preferred share dividends payable	8,683	—
Dividends payable to the equity shareholders of the Company	6,578	—
Other payables due to related parties	—	570
Accrued expenses and other payables	8,962	12,354
	99,809	136,577

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

14 TRADE AND OTHER PAYABLES (continued)

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

	At 30 June	At 31 December
	2015	2014
	RMB'000	RMB'000
Due within 1 month or on demand	<u>29,593</u>	<u>30,716</u>

15 PREFERRED SHARES

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
At 1 January	53,629	54,639
Dividends during the period (Note 6(a))	4,227	4,405
Dividends of preferred shares declared	<u>(10,683)</u>	<u>(9,892)</u>
	47,173	49,152
Less: current portion of preferred shares	<u>(11,538)</u>	<u>(10,684)</u>
At 30 June	<u>35,635</u>	<u>38,468</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

16 DEFERRED INCOME

Deferred income represented unrecognised government grants received to compensate the Group's cost of acquisition and construction of property, plant and equipment 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.

17 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)

17 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
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
– 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 revenue 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 revenue of the Group for the year ended 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 revenue 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 revenue 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)

17 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
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
– on 29 October 2013	830,000	One year from the date of grant and revenue of the Group for the year ended 31 December 2013 is not less than 130% of that for FY 2012	5 years
– on 29 October 2013	830,000	Two years from the date of grant and revenue of the Group for the year ended 31 December 2014 is not less than 169% of that for FY 2012	5 years
– on 29 October 2013	830,000	Three years from the date of grant and revenue of the Group for the year ending 31 December 2015 is not less than 211.25% of that for FY 2012	5 years
– on 29 October 2013	830,000	Four years from the date of grant and revenue of the Group for the year ending 31 December 2016 is not less than 264.0625% of that for FY 2012	5 years
Total share options granted	22,440,000		

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

17 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 2015		Year ended 31 December 2014	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the period/year	HKD 10.137	21,316,000	HKD 9.85	22,440,000
Exercised during the period/year	HKD 4.422	(517,500)	HKD 4.422	(1,124,000)
Outstanding at the end of the period/year	<u>HKD 10.279</u>	<u>20,798,500</u>	<u>HKD 10.137</u>	<u>21,316,000</u>
Exercisable at the end of the period/year	<u>HKD 6.707</u>	<u>13,328,500</u>	<u>HKD 6.621</u>	<u>13,846,000</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 in 2013.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

17 EQUITY SETTLED SHARE-BASED TRANSACTIONS (continued)

(ii) Warrants granted to a director (continued)

Relevant details of the Warrants are listed below.

(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 2015		Year ended 31 December 2014	
	Weighted average exercise price	Number of warrants	Weighted average exercise price	Number of warrants
Outstanding at the beginning and 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	4,150,000	HKD 16.652	4,150,000

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)**17 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 (“AFI”, the controlling shareholder of the Company), Ms. Zhao Yan (as warrantor for AFI), 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, AFI granted a call option (the “AFI Call Option”) to Wealthy Delight for the purchase of 9,960,000 shares of the Company (the “Option Shares”) held by AFI. The AFI 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 AFI 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 AFI 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 AFI is exercisable from the completion date of the transfer of the relevant Option Shares under the AFI 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 AFI Call Option is treated as vesting in a five-year period, i.e. the fair value of this share based payment transaction of HKD110,656,000 is amortised over the 5 year using straight-line method. During the six months ended 30 June 2015, expenses related to this group share-based payment transaction of RMB8,652,000 (six months ended 30 June 2014: RMB1,867,000) have been charged in profit or loss.

18 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 2015 (six months ended 30 June 2014: Nil).

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
2014 final dividends, approved during the interim period, of HK\$2.5 cents per ordinary share (2013 final dividends: HK\$1.9 cents per ordinary share)	6,578	4,960

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

18 DIVIDENDS AND CAPITAL (continued)

(c) Share capital

	30 June 2015		31 December 2014	
	No. of shares		No. of shares	
	'000	HK\$'000	'000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	1,000,000	10,000	1,000,000	10,000
	30 June 2015		31 December 2014	
	No. of shares		No. of shares	
	'000	RMB'000	'000	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	333,124	2,969	332,000	2,961
Shares issued on exercise of share options granted under share option scheme	518	5	1,124	8
At 30 June/31 December	333,642	2,974	333,124	2,969

19 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)

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

(i) Fair value hierarchy (continued)

	Fair value at 30 June 2015 RMB'000	Fair value measurements as at 30 June 2015 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets:				
Available-for-sale financial assets	—	—	—	—

	Fair value at 31 December 2014 RMB'000	Fair value measurements as at 31 December 2014 categorised into		
		Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurement				
Financial assets:				
Available-for-sale financial assets	80,000	—	80,000	—

During the six months ended 30 June 2015, there have been no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2014: 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 at 31 December 2014 was determined by reference to the prices of similar banking products offered by the banks at the end of the reporting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

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

All the financial assets and liabilities are carried at amounts not materially different from their fair values as at 30 June 2015.

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 2015 has not been disclosed.

20 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2015 not provided for in the interim financial report are as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Authorised and contracted for	1,364	6,190
Authorised but not contracted for	—	—
	<u>1,364</u>	<u>6,190</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)**21 MATERIAL RELATED PARTY TRANSACTIONS****(a) Transactions with related parties**

Significant related party transactions during the six months ended 30 June 2015 are as follows:

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Purchase of materials from related parties	9,179	13,136
Dividends on preferred shares paid	2,000	3,000
Lease of buildings and plant to related parties	1,249	1,301
Rental expense for lease of properties from a related party	3,389	3,672

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
	2015	2014
	RMB'000	RMB'000
Trade and other receivables	2,856	2,463
Trade and other payables	9,545	570
Preferred shares, including current portion	47,173	53,629
Preferred share dividends payable	8,683	—

22 EVENTS AFTER THE REPORTING PERIOD

On 26 May 2015, the Group entered into a sale and purchase agreement with three individuals (the "Vendors), pursuant to which the Group agreed to purchase and the Vendors agreed to sell at a consideration of Euro59,000,000 (subject to adjustments) the sale shares (representing 37.32% of the issued shares of the V Plus SA), which in turn holds 89.51% of the issued share capital of Laboratoires Vivacy SAS ("Vivacy"), a French limited liability company. This transaction has been completed on 15 July 2015.

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 18 to 49 which comprises the consolidated statement of financial position of Bloomage BioTechnology Corporation Limited as at 30 June 2015 and the related consolidated statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2015 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

26 August 2015