Bloomage BioTechnology Corporation Limited

華熙生物科技有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00963

INTERIM REPORT 2017

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Yau Wai Yan

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Zhan Lili
Mr. Li Junhong
Mr. Xue Zhaofeng

COMPANY SECRETARY

Mr. Yau Wai Yan

AUTHORISED REPRESENTATIVES

Ms. Wang Aihua
Mr. Yau Wai Yan

MEMBERS OF AUDIT COMMITTEE

Mr. Li Junhong *(Chairman)*
Ms. Zhan Lili
Mr. Xue Zhaofeng

MEMBERS OF REMUNERATION COMMITTEE

Mr. Xue Zhaofeng *(Chairman)*
Mr. Li Junhong
Mr. Jin Xuekun

MEMBERS OF NOMINATION COMMITTEE

Ms. Zhan Lili *(Chairman)*
Mr. Xue Zhaofeng
Mr. Gong Anmin

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

Room 501, Hutchison House
No 10 Harcourt Road
Central
Hong Kong

AUDITORS

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

LEGAL ADVISERS AS TO HONG KONG LAWS

Sidley Austin
39/F, Two International Finance Centre
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

00963

COMPANY WEBSITE

www.bloomagebio-tech.com

PRINCIPAL BANKERS

Jinan Branch of the Bank of China
China Everbright Bank

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE GROUP

Bloomage BioTechnology Corporation Limited (the "Company", together with its subsidiaries, the "Group") was listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2008. The Company is principally engaged in the development, manufacture and sales of raw materials and end products for a diversified range of hyaluronic acid (also known as hyaluronan, hyaluronic acid sodium, abbreviated as "HA"), and is a leading provider of medical aesthetics products and services in China and one of the world's largest producers of HA raw materials. The Group devotes to develop itself into a provider of comprehensive range of products and solutions focusing on HA.

Since its establishment, the Group leverages on the development, manufacture and sales of a diversified range of HA raw materials and derivative products based on bio-fermentation technology, comprising three major categories, namely pharmaceutical grade HA, cosmetic grade HA and food grade HA, and more than 70 types of products, which are widely applied in the pharmaceutical, cosmetic and food areas. The Group also customizes products on demand to meet the needs of customers.

Leveraging on its outstanding research and development capabilities, the Group successfully launched the aesthetic injectable filler product - Hyaluronan Soft Tissue Filling Gel, an injectable hyaluronic acid sodium gel, in 2012, and extended its business scope to HA end products. Currently, the self-developed end products of the Group comprise the aesthetic injectable Hyaluronan Soft Tissue Filling Gel (including both the brands of "BioHyalux" and "Dermallure"), HA+ medical skincare products (including professional pre-operation and post-operation repair products and daily maintenance and moisturizing products), Medical HA Gel for ophthalmologic use (trade name "Hymois") and intra-articular injectable products (trade name "Hyprojoint").

Based on its existing products and assimilation of global new technologies and new products through merger and acquisition and allied cooperation, including the Group's acquisition of the entire equity interest in REVITACARE SARL ("Revitacare"), a French manufacturer of high-end skin management products, early this year; and the Group's formation of strategic cooperation with Laboratoires Vivacy SAS ("Vivacy"), an European renowned HA injectable fillers manufacturer, and Medytox Inc. ("Medytox"), an international corporation of high-end botulinum toxin products, to become the regional exclusive distributor for their products. Meanwhile, the Group also entered into business cooperation with internationally renowned aesthetic device manufacturers, such as Syneron Medical Ltd. ("Syneron") in Israel, in order to obtain distributorship of relevant aesthetic devices and strived to realize the strategy of comprehensive development of medical aesthetics products and solutions.

BUSINESS REVIEW

During the first half of this year, the competitive landscape of the medical aesthetics industry in China remained challenging, the Group adhered to its established development strategy despite all difficulties. For the six months ended 30 June 2017, total revenue of the Group amounted to approximately RMB390,470,000, representing a decrease of approximately 6.7% as compared to approximately RMB418,341,000 for the corresponding period in 2016. Profit realized during the period was approximately RMB81,042,000, representing a decrease of approximately 25.3% as compared to approximately RMB108,432,000 for the corresponding period in 2016. The Group's adjusted EBITDA (excluding share of profits less losses of associates, share of loss of a joint venture and the expenses related to a performance incentive arrangement in connection with the acquisition of Revitacare) for the first half of 2017 was approximately RMB157,742,000 (for the corresponding period in 2016: approximately RMB173,691,000), representing a decrease of approximately RMB15,949,000 or approximately 9.2% as compared to the corresponding period of the previous year.

HA RAW MATERIAL AND END PRODUCTS BUSINESS

Raw Material Product

During the first half of 2017, the raw material business of the Group realized sales of approximately RMB237,000,000, representing a growth of approximately 1.2%. As a leader in the HA industry, the Group played an important role in the global supply of HA. However, the low-price sales strategy, product imitation strategy and market follower strategy of competitors made certain impact on the Group, together with the longer nurturing period of the newly launched products, the growth of the Group's raw material business slowed down during the period under review.

During the first half of 2017, limited by factors such as long development cycle of new customers for pharmaceutical grade products and market uncertainty in the new indications of our customers' products, the growth of pharmaceutical grade HA raw materials had slowed down as compared to the corresponding period of the previous year. In addition, the price of food grade HA continued to stay at low level, persistent price-cutting competition caused some HA manufacturers to abandon the food grade HA business and switch to personal care product business which was more profitable with only slightly higher entry barrier. Thus, market competition of cosmetic grade HA, which accounted for a relatively high percentage in the revenue of the Group's raw material business, was intensified. Facing such a challenging operating environment, the Group insisted on pursuing technological innovation and providing solutions for customers to enhance the additional value and competitiveness of its products. Cosmetic grade HA remained as a major source of the Group's raw material revenue. Together with products launched earlier, such as the miniHA™, the world's first low molecular weight oligo sodium hyaluronate by using enzymatic degradation, the hyacross™ using patented crosslinked technology, the Hyacolor™ for application in colour cosmetics, cationHA™ for application in hair care and Hymagic™-AcHA (a sodium acetylated hyaluronate product), the Group had a comprehensive range of cosmetic grade HA products. With more research and development and launching of new products, the product lines will be enriched continuously, bringing growth momentum for cosmetic grade HA. Meanwhile, amidst the competitive and chaotic competition in the food grade HA raw material industry, the Group took advantage to optimize its sales channels and expand this market segment actively, and won confidence from customers with products of good value for money and excellent word-of-mouth in the industry, and maintained stable growth in the sales of its food grade HA raw materials.

End Product

In 2017, 14 different brands of injectable HA filler with 18 product models obtained medical device registration certificate from the China Food and Drug Administration (CFDA), a surge from only two brands with two product models when BioHyalux entered the market, competition has been intensified increasingly. As there was insufficient differentiation among the brands of injectable HA filler, more competition behaviours were reflected in terms of price-cutting and harmed the entire market gravely, at the same time, bringing great pressure on the price and market share of BioHyalux. In response to market changes, the Group continued to promote its clinically-designed solutions with unique features, such as the exclusive injection method of "BV5" lifting, while enhancing product research and development to ensure that subsequent launching of injectable HA filler products will be able to target more segmented markets to satisfy the needs of various customers. For example, Dermallure, a brand of injectable HA filler containing lidocaine, was launched by the end of last year, it provided more comfortable and more natural shaping effect for aesthetic purpose. However, as newly launched products of the Group required a nurturing period, together with increasingly intensive market competition, the Group's sales of end products recorded a decline of 7.8% during the first half of the year.

In the segment of skin management products, the aqua-shinning product line "Cytocare" under the Group's French subsidiary Revitacare was formally launched in China in May this year. Professional teams were deployed to conduct extensive product trainings and promotions for customers. With the official launching of Cytocare in the China market, the Group marketed Cytocare and BioHyalux products as a package, a new anti-aging solution "BioHyalux CC Treatment", and strived to provide medical institutions with more professional customer service and premium quality product package to enhance the additional value and reliance on the Group. In addition, apart from marketing through the traditional medical aesthetics channels, the Group also added online channels such as Tmall and JD.com during the period under review to strengthen and solidify the brand image of BioHyalux by directly approaching the end consumers.

Research and Development and Qualifications

Research and development and innovation were driving forces for continuous development of the Group's business. During the first half of 2017, the Group continued to conduct research and development and build up the reserves of numerous products and technologies, and gained relevant qualifications and honours. In raw material products, by leveraging on international advanced bio-fermentation technology of hyaluronic acid for over 20 years, the micro biological fermentation technology platform, professional fermentation testing platform and cell testing platform were well established and provided good driving force for the healthy and sustainable development of the Group. In January 2017, the Group's pharmaceutical grade HA obtained registration certificate in India, a number of cosmetic grade HA products obtained COSMOS organic certification, and a number of specifications of pharmaceutical grade HA were also in the process of registration in EU and South Korea, providing the necessary conditions for existing products to expand into overseas markets. In June 2017, hair care product cationHA™ and Hymagic™ - AcHA (a sodium acetylated hyaluronate product) received the Ringier Technology Innovation Awards of the personal care product industry successively.

In the area of end products, the new generation products of the Hyaluronan Soft Tissue Filling Gel series, Bio-MESO products and hemostatic products were progressing smoothly in domestic clinical tests, the botulinum toxin registration submitted jointly with Medytox of South Korea was also progressing on schedule. For skincare products, aqua shinning product series of Revitacare, a subsidiary of the Group, obtained registration certificate in China in May this year. Meanwhile, the cosmetics-grade HA production plant of Shandong Bloomage Hyinc Biopharm Company Limited obtained production license on 19 June 2017, and became the first domestic enterprise that utilized pharmaceutical grade filling equipment in the production of high-end skincare products, which would realize the unique product characteristics of being free of bacteria, additives and preservatives, as well as being green and safe, for the product series of "HA Aqua Stoste" under BioHyalux brand, starting a new era for medical skin management.

Trading Business

During the first half of 2017, the trading business of the Group was primarily conducted in Asian regions including Hong Kong, South Korea and Taiwan and was mainly through distributors with a small volume of direct sales. However, the medical aesthetic industry in these countries or areas are more mature than the domestic market, with more diversified products and intensive competition, although the Group's products enjoyed certain competitive advantages, as a new brand in these markets, the brand awareness of the Group's products was not high, and there was high inventory pressure on distributors, thus, the trading business declined seriously. During the period under review, the Group's trading business recorded sales of approximately RMB30,601,000, representing a decline of 39.9%.

OUTLOOK AND PROSPECTS

During the first half of 2017, CFDA issued consultation drafts on the "Relevant Policies on Encouraging Innovations of Drugs and Medical Devices and Accelerating Assessment and Approval of New Drugs and Medical Devices for Market Launch"(關於鼓勵藥品醫療器械創新加快新藥醫療器械上市審評審批的相關政策) and the "Relevant Policies on Encouraging Innovations of Drugs and Medical Devices and Reforming Clinical Test Management"(關於鼓勵藥品醫療器械創新改革臨床試驗管理的相關政策) for consultation of social opinions in an open manner. With gradual reform of the approval system of CFDA, more medical aesthetics devices and suppliers will enter the China market in future, and will intensify the competition in the domestic medical aesthetics industry, the high rate of return and high growth rate enjoyed in the past would be affected. But at the same time, this might also imply a shorter approval process for products which were researched and developed and distributed by the Group itself as well as a faster pace of product launch. In an environment with opportunities and pressure, the Group had to stimulate internal potential and accelerate the pace of reform and innovation in order to respond to the constant-changing market.

For raw material products, the Group will fully utilize the bio-fermentation platform and put more efforts to attract research talents to further enrich the product lines and will continue to develop overseas sales of pharmaceutical grade HA, while promoting new raw materials and new applications in the personal care product area to promote the sales of cosmetic grade HA and taking full advantage of the Group's strong production capacity to expand the sales of food grade HA and realize sustainable stable growth of the overall raw material business.

For end product business, in the face of an increasingly competitive environment and imitation strategy of the peers, the Group will need to adopt a more aggressive marketing strategy to maintain its market share, and will continue to develop and introduce new products, new brands and new equipment to form product packages with existing products, and by replacing old ones with new ones, the original needs of end consumers can be satisfied while leading a new trend in medical aesthetics in China.

For trading business, the Group is also expected to obtain permission for the admission of Vivacy Stylage facial injection products, Desirial intimate injection products and Revitacare product series successively in more Asian regions. Efforts will be further increased in marketing promotions, enhancement of brand awareness and development of loyal customers to expand its market share. Meanwhile, the Group will also continue to seek opportunities to cooperate with overseas leading aesthetic equipment manufacturers, by distributing different aesthetic equipment and complementing with its self-developed consumables and HA+ skin care products, to provide consumers solutions addressing various levels of skin problems, thereby grabbing the vast market opportunity in the dermatology market, and becoming a leading player.

The Group will continue to focus on its double growth drivers strategy, namely organic growth as well as external mergers and acquisitions by conducting integration and upgrade, together with continuous innovations of its internal business so as to enhance competitiveness, leverage and utilize domestic and overseas renowned medical aesthetics industry resources through mergers and acquisitions, equity investment and business cooperation, provide a wider array of products and solutions, and emphasize on customers' experience, eventually forming a medical aesthetics ecological chain.

Offeror's Proposed Privatization of the Company and Proposed Withdrawal of Listing

On 15 June 2017, Grand Full Development Limited (the "Offeror") requested the board (the "Board") of directors of the Company (the "Directors") to submit a proposal which, if approved and implemented, will lead to privatization of the Group by the Offeror and delisting of the shares of the Company from the Stock Exchange (the "Proposal"). The Proposal will be implemented by way of a scheme of arrangement (the "Scheme") under Section 86 of the Companies Law of Cayman Islands. For further details on the Scheme, please refer to the joint announcement published by the Group and the Offeror on 19 June 2017.

FINANCIAL REVIEW

REVENUE

The Group's revenue for the six months ended 30 June 2017 was approximately RMB390.470 million, representing a decrease of approximately 6.7% as compared to the corresponding period of 2016.

	Six months ended 30 June			
	2017		2016	
	RMB'000	***%***	*RMB'000*	*%*
Sales of self-produced products:				
– HA raw materials	**237,000**	**60.7**	234,208	56.0
– HA end products	**122,869**	**31.5**	133,210	31.8
Revenue from trading of cosmetic products and devices	**30,601**	**7.8**	50,923	12.2
Total	**390,470**	**100.0**	418,341	100.0

COST OF SALES

Cost of sales of the Group for the six months ended 30 June 2017 was approximately RMB124.438 million, representing a decrease of approximately 8.5% as compared to approximately RMB136.007 million for the corresponding period of 2016. The decrease was mainly attributable to the decrease in sales volume.

GROSS PROFIT MARGIN

The Group's gross profit margin for the six months ended 30 June 2017 slightly increased to approximately 68.1% from approximately 67.5% for the corresponding period of 2016. The increase was mainly due to the change in revenue mix of the Group.

OTHER REVENUE

Other revenue of the Group was approximately RMB17.072 million for the six months ended 30 June 2017, representing an increase of approximately RMB3.806 million as compared to the corresponding period of 2016. The increase in other revenue was mainly attributable to the increase of interest income as compared to the six months ended 30 June 2016.

DISTRIBUTION COSTS

The Group's distribution costs for the six months ended 30 June 2017 were approximately RMB70.103 million, representing an increase of approximately 4.8% from approximately RMB66.868 million for the corresponding period of 2016. The increase was mainly attributable to the combined effect of the increase in staff costs and amortisation expense of intangible assets related to the exclusive distribution agreements for the distribution of Vivacy's products in certain countries in the Asia-Pacific region. The amortisation expense of intangible assets included in the distribution costs for the six months ended 30 June 2017 were approximately RMB11.339 million (the corresponding period of 2016: RMB10.849 million).

ADMINISTRATIVE EXPENSES

The Group's administrative expenses for the six months ended 30 June 2017 were approximately RMB90.400 million, representing an increase of approximately 23.0% from approximately RMB73.499 million for the corresponding period of 2016. The increase in administrative expenses was mainly due to the increase in staff costs in respect of the performance incentive arrangement with a key employee of Revitacare. The non-cash equity-settled share-based payment expenses included in the administrative expenses for the six months ended 30 June 2017 were approximately RMB10.508 million (the corresponding period of 2016: RMB11.338 million).

OTHER OPERATING EXPENSES, NET

The Group's other operating expenses, net for the six months ended 30 June 2017 were approximately RMB4.577 million, representing a decrease of approximately 41.3% from approximately RMB7.793 million for the corresponding period of 2016.

FINANCE COSTS

The Group's finance costs for the six months ended 30 June 2017 were approximately RMB23.892 million, representing a decrease of approximately 0.7% from approximately RMB24.065 million for the corresponding period of 2016. The Group's finance costs mainly represented the interest on bank borrowings and the convertible bonds.

PROFIT FOR THE PERIOD

The Group's profit for the six months ended 30 June 2017 was approximately RMB81.042 million, representing a decrease of approximately 25.3% from approximately RMB108.432 million for the corresponding period of 2016. The adjusted earnings before interest, taxes, depreciation and amortisation (excluding share of profits less losses of associates, share of loss of a joint venture and the expenses related to a performance incentive arrangement in connection with the acquisition of Revitacare) of the Group for the first half of 2017 was approximately RMB157.742 million (the corresponding period of 2016: approximately RMB173.691 million), representing a decrease of approximately RMB15.949 million or 9.2% as compared to the corresponding period of 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the current assets of the Group were approximately RMB1,285.881 million (31 December 2016: approximately RMB1,380.025 million) and the current liabilities were approximately RMB173.305 million (31 December 2016: approximately RMB328.339 million). As at 30 June 2017, the current ratio of the Group was approximately 742.0% (31 December 2016: approximately 420.3%). The increase in current ratio was mainly due to the repayment of the secured bank loan.

As at 30 June 2017, cash and cash equivalents of the Group were approximately RMB747.023 million (31 December 2016: approximately RMB646.887 million), of which approximately 67% (31 December 2016: approximately 68%) was denominated in RMB, approximately 2% (31 December 2016: approximately 1%) in Hong Kong dollars, approximately 27% (31 December 2016: approximately 28%) in United States dollars ("USD"), approximately 1% (31 December 2016: approximately 1%) in Japanese Yen ("JPY") and approximately 3% (31 December 2016: approximately 2%) in Euro.

As at 30 June 2017, the Group's total bank borrowing was approximately RMB252.620 million (31 December 2016: approximately RMB348.860 million).

As at 30 June 2017, total liabilities were approximately RMB799.890 million (31 December 2016: approximately RMB867.028 million). The Group's gearing ratio (calculated by dividing total liabilities by total assets) as at 30 June 2017 was approximately 32.8% (31 December 2016: approximately 35.8%). The decrease in gearing ratio as at 30 June 2017 as compared to that as at 31 December 2016 was principally attributable to the repayment of the secured bank loan.

Net cash generated from operating activities for the six months ended 30 June 2017 was approximately RMB108.378 million (six months ended 30 June 2016: approximately RMB18.390 million). Net cash generated from investing activities for the six months ended 30 June 2017 was approximately RMB91.285 million (six months ended 30 June 2016: net cash used in investing activities approximately RMB52.204 million), mainly representing the decrease of restricted bank deposit partially offset by the expenditure for the purchase of equipments and intangible assets and payments for the acquisition of a subsidiary. Net cash used in financing activities for the six months ended 30 June 2017 was approximately RMB95.144 million (six months ended 30 June 2016: approximately RMB247.211 million), mainly representing the repayment of the secured bank loans.

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.

The long-term funding and working capital required by the Group are primarily derived from income generated from its core business operations, and cash proceeds raised from bank and other borrowings and convertible bonds.

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 bank loans at 30 June 2017 was denominated in USD. 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 rates of USD and 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 2017, the Group had no contingent liabilities (31 December 2016: Nil).

CAPITAL COMMITMENT

As at 30 June 2017, the Group had capital commitment of approximately RMB7.088 million (31 December 2016: approximately RMB0.787 million).

EMPLOYEE INFORMATION

As at 30 June 2017, the Group had 771 employees (31 December 2016: 789 employees) the majority of whom were stationed in the PRC. Total remuneration for the six months ended 30 June 2017 amounted to approximately RMB113.661 million (six months ended 30 June 2016: approximately RMB89.086 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

Save as disclosed in note 16 to the interim financial report, as at 30 June 2017, the Group did not have any charge on its assets.

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

During the six months ended 30 June 2017, save for the acquisition of Revitacare as described below, there was no significant investment, material acquisition and disposal of subsidiaries and associated companies by the Group.

ACQUISITION OF REVITACARE

On 6 January 2017, a wholly-owned subsidiary of the Company (as purchaser) entered into a sale and purchase agreement with an individual and a company (the "Vendors"), pursuant to which the Group agreed to purchase and the Vendors agreed to sell the entire issued and paid-up capital of Revitacare, a société par actions simplifiée incorporated in France, at consideration of Euro14,275,000 (equivalent to approximately RMB104,305,000) and contingent payment amounts of up to Euro10,875,000 on the condition the individual serves the Group for up to three years and Revitacare achieves certain revenue and profit targets during relevant periods, subject to the terms of the sale and purchase agreement. The acquisition was completed on 19 January 2017. Upon completion, Revitacare became an indirect wholly-owned subsidiary of the Company.

CONTINUING CONNECTED TRANSACTIONS

On 30 December 2016, 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 the Property Leasing Agreement, Beijing Bloomage Hyinc agreed to lease from Bloomage Property the Property as office for a term from 1 January 2017 to 31 December 2017 at an annual rental cap of RMB6,745,861.2. As Bloomage Property is ultimately owned as to 100% 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 30 December 2016.

ACQUISITION OF 37.32% ISSUED SHARE CAPITAL OF V PLUS SA

References are made to the announcements of the Company dated 26 May 2015 and 28 May 2015 (the "Announcements"). On 26 May 2015, the Company entered into the sale and purchase agreement (the "Sale and Purchase Agreement") with three individuals (the "Vendors"), pursuant to which the Company acquired in aggregate 37.32% of the issued shares of V Plus SA (the "Target Company") which in turn held 89.51% of the issued share capital of Laboratoires Vivacy SAS ("Vivacy") at a total consideration of EUR59,000,000 (subject to downward adjustments) (the "Acquisition"). Upon completion of the Acquisition on 15 July 2015, the Company indirectly held approximately 33.41% of the issued share capital of Vivacy.

Vivacy is principally engaged in the design, development, manufacturing and sale of medical aesthetics devices including dermal fillers and cosmetics. No adjustment was eventually made to the consideration and the consideration paid to the Vendors for the Acquisition amounted to EUR59,000,000.

As set out in the Announcements, the Vendors agreed that they shall procure the management of Vivacy to make their best efforts to achieve the profit after taxation and extraordinary items of Vivacy in line with the following forecast:

Year	**Profit after taxation and extraordinary items (EUR)** *('000)*
For the year ended 31 December 2015	5,100
For the year ended 31 December 2016 (Note)	6,200
For the year ending 31 December 2017 (Note)	7,300

Note: As set out in the Announcements, the Target Company was an investment holding company with no substantial business activities other than its holding of Vivacy. During the year ended 31 December 2016, the Target Company incorporated a new wholly-owned subsidiary to carry out certain sales activities of Vivacy. Therefore, the profit target relates to the consolidated profit after taxation and extraordinary items of the Target Company.

The business performance of Vivacy for the two years ended 31 December 2015 and 2016 was satisfactory and the above profit target for each of the two years ended 31 December 2015 and 2016 was met. Based on the reviewed financial statement of Vivacy for the year ended 31 December 2015, the profit after taxation and extraordinary items of Vivacy for the year ended 31 December 2015 was approximately EUR5.4 million and based on the audited consolidated financial statement of the Target Company for the year ended 31 December 2016, the profit after taxation and extraordinary items of the Target Company for the year ended 31 December 2016 was approximately EUR12.7 million.

In case the Vendors fail to procure the management of Vivacy to make their best efforts to achieve the target profit after taxation and extraordinary items of the Target Company for the year ending 31 December 2017, this could constitute a breach of the contractual provisions of the Sale and Purchase Agreement. In such circumstances, the Company may take appropriate legal action, if necessary. The Company will publish an announcement and disclose in its upcoming annual report the outcome of the profit target of the Target Company for the year ending 31 December 2017.

As set out in note 12 to the interim financial report, on 22 December 2016, the Target Company repurchased 35,000 shares from two shareholders. As a result, the effective interest held by the Group in the Target Company increased from 37.32% to 38.18%. Such increase would not alter the profit targets to be achieved by the Target Company under the Sale and Purchase Agreement.

OTHER INFORMATION

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

As at 30 June 2017, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules 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 *(Note 2)*	182,520,000 (L) *(Note 1)*	50.01%
	Interest of a controlled corporation *(Note 5)*	9,960,000 (L)	2.73%
	Interest of a controlled corporation *(Note 5)*	9,960,000 (S)	2.73%
	Beneficial owner	1,200,000 (L)	0.33%
Mr. Jin Xuekun	Interest of a controlled corporation *(Note 4)*	16,600,000 (L)	4.55%
	Beneficial owner *(Note 3 and Note 6)*	12,363,750 (L)	3.39%
	Interest of a controlled corporation *(Note 5)*	9,960,000 (L)	2.73%
	Interest of a controlled corporation *(Note 5)*	9,960,000 (S)	2.73%
Mr. Gong Anmin	Beneficial owner *(Note 6)*	968,750 (L)	0.27%
	Interest of spouse	52,500 (L)	0.01%
Ms. Wang Aihua	Beneficial owner *(Note 3 and Note 6)*	922,188 (L)	0.25%
Mr. Yau Wai Yan	Beneficial owner *(Note 3 and Note 6)*	341,788 (L)	0.09%

Notes:

(1) The letter "L" denotes a long position in the Shares and the letter "S" denotes a short position in the Shares.

(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) On 24 December 2012, 680,000 and 310,000 share options were granted to Ms. Wang Aihua and Mr. Jin Xuekun, respectively, pursuant to the share option scheme of the Company. On 29 October 2013, 99,600 and 6,640,000 share options were granted pursuant to the share option scheme of the Company to Mr. Yau Wai Yan and conditionally to Mr. Jin Xuekun respectively which was approved by the independent shareholders of the Company at the extraordinary general meeting held on 23 December 2013. Mr. Jin Xuekun holds 570,000 Shares through his individual securities account.

(4) 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.

(5) 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 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 Xuekun resigns as the chief executive officer of the Company due to personal reason(s).

The AFI Call Option has not been exercised by Wealthy Delight and on 16 June 2017, AFI, Ms. Zhao Yan, Wealthy Delight and Mr. Jin Xuekun entered into a termination agreement (the "Termination Agreement") pursuant to which, subject to and upon the Scheme becoming effective, the Option Agreement shall terminate and a termination fee shall be payable by AFI to Wealthy Delight as compensation upon the Scheme becoming effective. Details of the Termination Agreement are set out in the joint announcement of the Company and the Offeror dated 19 June 2017.

(6) On 6 November 2015, the Company and each of Mr. Jin Xuekun, Mr. Gong Anmin, Ms. Wang Aihua and Mr. Yau Wai Yan entered into respective management subscription agreements, pursuant to which the Company conditionally agreed to allot and issue, and Mr. Jin Xuekun, Mr. Gong Anmin, Ms. Wang Aihua and Mr. Yau Wai Yan conditionally agreed to subscribe for 4,843,750, 968,750, 242,188 and 242,188 Shares, respectively. Completion of the aforesaid subscription took place on 8 January 2016.

(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 2017, 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 2017, 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 of	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 Note 6)*	Beneficial owner	182,520,000 (L) *(Note 1)*	50.01%
		9,960,000 (L)	2.73%
		9,960,000 (S)	2.73%
Mr. Wang Yi *(Note 3)*	Interest of spouse	183,720,000 (L)	50.34%
		9,960,000 (L)	2.73%
		9,960,000 (S)	2.73%
Wealthy Delight *(Note 4 and Note 6)*	Beneficial owner	16,600,000 (L)	4.55%
		9,960,000 (L)	2.73%
		9,960,000 (S)	2.73%
Ms. Zhang Lanying *(Note 5)*	Interest of spouse	28,963,750 (L)	7.94%
		9,960,000 (L)	2.73%
		9,960,000 (S)	2.73%
Ora Investment Pte. Ltd. *(Note 7)*	Beneficial owner	43,180,717 (L)	11.83%
GIC (Ventures) Pte. Ltd. *(Note 7)*	Interest of a controlled corporation	43,180,717 (L)	11.83%
GIC Special Investments Pte. Ltd. *(Note 7)*	Interest of a controlled corporation	43,180,717 (L)	11.83%
GIC Private Limited *(Note 7)*	Interest of a controlled corporation	43,180,717 (L)	11.83%
JPMorgan Chase & Co.	Beneficial owner	1,500,000 (L)	0.41%
		592,500 (S)	0.16%
	Custodian corporation/ approved lending agent	27,362,300 (L)	7.50%
Templeton Asset Management Ltd.	Investment manager	29,213,300 (L)	8.00%

Notes:

(1) The letter "L" denotes a long position in the Shares and the letter "S" denotes a short position in the Shares.

(2) AFI is wholly-owned by Ms. Zhao Yan. Ms. Zhao Yan 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 Yan 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 Xuekun resigns as the chief executive officer of the Company due to personal reason(s).

    The AFI Call Option has not been exercised by Wealthy Delight and on 16 June 2017, AFI, Ms. Zhao Yan, Wealthy Delight and Mr. Jin Xuekun entered into a termination agreement (the "Termination Agreement") pursuant to which, subject to and upon the Scheme becoming effective, the Option Agreement shall terminate and a termination fee shall be payable by AFI to Wealthy Delight as compensation upon the Scheme becoming effective. Details of the Termination Agreement are set out in the joint announcement of the Company and the Offeror dated 19 June 2017.

(7) These include (i) 16,145,834 Shares held by Ora Investment Pte. Ltd. ("ORA"), and (ii) interest in the 4% convertible bonds issued by the Company in the principal amount of HK$465,000,000 due 2020 which is convertible into a maximum of 27,034,883 Shares upon full conversion at the initial conversion price of HK$17.20 per Share (subject to adjustments) held by ORA. Each of GIC (Ventures) Pte. Ltd., GIC Special Investments Pte. Ltd. and GIC Private Limited is deemed, or taken to be, interested in all the Shares and the convertible bonds held by ORA for the purpose of the SFO.

Save as disclosed above, as at 30 June 2017, 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 were granted to certain grantees under the share option scheme of the Company (the "Share Option 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, the chief executive officer of the Company and an executive Director, under the Share Option Scheme, each share option shall entitle Mr. Jin Xuekun 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.

The status of the share options granted up to 30 June 2017 is as follows:

Name and category of participant	Number of unlisted share options: As at 1 January 2017	Granted during the period	Cancelled/ lapsed during the period	Exercised during the period	As at 30 June 2017	Date of grant of share options	Vesting period of share options*	End of exercise period	Exercise price of share options *HKD per Share*
Directors									
Wang Aihua	680,000	—	—	—	680,000	24 December 2012	50%: 24 December 2012 to 24 December 2013 50%: 24 December 2012 to 24 December 2014	24 December 2017	4.422
Jin Xuekun	310,000	—	—	—	310,000	24 December 2012	50%: 24 December 2012 to 24 December 2013 50%: 24 December 2012 to 24 December 2014	24 December 2017	4.422
	6,640,000	—	—	—	6,640,000	29 October 2013	25%: 23 December 2013 to 22 December 2014 25%: 23 December 2013 to 22 December 2015 25%: 23 December 2013 to 22 December 2016 25%: 23 December 2013 to 22 December 2017	22 December 2018	16.652
Yau Wai Yan	99,600	—	—	—	99,600	29 October 2013	25%: 29 October 2013 to 29 October 2014 25%: 29 October 2013 to 29 October 2015 25%: 29 October 2013 to 29 October 2016 25%: 29 October 2013 to 29 October 2017	29 October 2018	16.652
Other employees	6,315,500	—	—	1,948,500#	4,367,000	24 December 2012	50%: 24 December 2012 to 24 December 2013 50%: 24 December 2012 to 24 December 2014	24 December 2017	4.422
	3,021,200	—	431,600	—	2,589,600	29 October 2013	25%: 29 October 2013 to 29 October 2014 25%: 29 October 2013 to 29 October 2015 25%: 29 October 2013 to 29 October 2016 25%: 29 October 2013 to 29 October 2017	29 October 2018	16.652
Total	17,066,300	—	431,600	1,948,500	14,686,200				

Notes to the table of share options outstanding during the period:

* The vesting period of the share options is from the date of grant until the commencement of the exercise period. Such share options will only become vested upon expiry of the relevant vesting period.

The weighted average closing price immediately preceding the exercise date is HK$12.39 per Share.

OPTION AGREEMENT

On 22 May 2014, AIM First Investments Limited ("AFI"), Ms. Zhao Yan (as warrantor for AFI), Wealthy Delight Group Limited ("Wealthy Delight") and Mr. Jin Xuekun (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.

The AFI Call Option has not been exercised by Wealthy Delight and on 16 June 2017, AFI, Ms. Zhao Yan, Wealthy Delight and Mr. Jin Xuekun entered into a termination agreement (the "Termination Agreement") pursuant to which, subject to and upon the Scheme becoming effective, the Option Agreement shall terminate and a termination fee shall be payable by AFI to Wealthy Delight as compensation upon the Scheme becoming effective. Details of the Termination Agreement are set out in the joint announcement of the Company and the Offeror dated 19 June 2017.

ISSUE OF CONVERTIBLE BONDS AND SUBSCRIPTION SHARES AND USE OF PROCEEDS

On 5 November 2015, the Company and Ora Investment Pte. Ltd. ("ORA") (an investment vehicle managed by GIC Pte. Ltd's ("GIC") private equity and infrastructure Group) entered into a shares and convertible bonds subscription agreement, pursuant to which and upon completion of the issue and subscription on 20 November 2015, the Company issued convertible bonds with total principal amount of HK$465 million at an initial conversion price of HK$17.2 per Share and allotted and issued a total of 16,145,834 new Shares to ORA at a price of HK$12 per Share, representing approximately 4.84% of the issued share capital of the Company as at the date of the agreement. The closing price per Share on 5 November 2015 was HK$15.12. Both ORA and GIC are independent third parties ("2015 Issue of CBs and Shares"). The Company intended to use the net proceeds of approximately HK$652.7 million for financing potential mergers and acquisitions, capital expenditures and for working capital and general corporate purposes.

As at 31 December 2016, approximately HK$41.3 million of the net proceeds of the 2015 Issue of CBs and Shares were used for investment in joint venture and associated companies, and approximately HK$611.4 million of the net proceeds of the 2015 Issue of CBs and Shares were used for working capital and general corporate purposes (including the repayment of bank loans). The net proceeds of the 2015 Issue of CBs and Shares had been fully used up as intended.

INTERIM DIVIDEND

The Board does not recommend the declaration or payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the six months ended 30 June 2017, 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 2017.

AUDIT COMMITTEE

The primary duties of the audit committee of the Company (the "Audit Committee") are to review the Group's financial information, oversee and supervise the financial reporting process, risk management 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. Xue Zhaofeng. 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 Mr. Gong Anmin and two independent non-executive Directors, namely Ms. Zhan Lili and Mr. Xue Zhaofeng. 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. Xue Zhaofeng and Mr. Li Junhong. Mr. Xue Zhaofeng 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 dealing in securities of the Company by the Directors. The Company has also adopted the Model Code for the relevant employees.

Having made specific enquiries to all Directors, it is confirmed that all Directors have complied with the Model Code during the six months ended 30 June 2017. Moreover, no incident of non-compliance of the Model Code by the relevant employees who are likely to be in possession of unpublished inside information of the Group was noted by the Company to date.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the auditing principles and practices adopted by the Company and adjusted matters related to auditing, internal control and financial reporting matters, including a review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2017. The Audit Committee has also reviewed this interim report.

By order of the Board
ZHAO YAN
Chairman

15 August 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2017-unaudited

		Six months ended 30 June	
		2017	2016
	Note	**RMB'000**	RMB'000
Revenue	4	**390,470**	418,341
Cost of sales		**(124,438)**	(136,007)
Gross profit		**266,032**	282,334
Other revenue	5	**17,072**	13,266
Distribution costs		**(70,103)**	(66,868)
Administrative expenses		**(90,400)**	(73,499)
Other operating expenses, net		**(4,577)**	(7,793)
Profit from operations		**118,024**	147,440
Finance costs	6(a)	**(23,892)**	(24,065)
Share of profits less losses of associates		**11,838**	13,041
Share of loss of a joint venture		**(48)**	(99)
Profit before taxation	6	**105,922**	136,317
Income tax	7	**(24,880)**	(27,885)
Profit for the period		**81,042**	108,432
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 subsidiaries		**(13,855)**	(1,396)
Share of other comprehensive income of equity-accounted investees		**13,851**	9,496
Other comprehensive income for the period		**(4)**	8,100
Total comprehensive income for the period		**81,038**	116,532

The notes on pages 30 to 57 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 2017-unaudited

		Six months ended 30 June	
		2017	2016
	Note	**RMB'000**	RMB'000
Profit attributable to:			
Equity shareholders of the Company		**81,043**	108,433
Non-controlling interests		**(1)**	(1)
Profit for the period		**81,042**	108,432
Total comprehensive income attributable to:			
Equity shareholders of the Company		**81,038**	116,533
Non-controlling interests		**—**	(1)
Total comprehensive income for the period		**81,038**	116,532
Earnings per share (RMB)			
Basic	8(a)	**0.223**	0.300
Diluted	8(b)	**0.220**	0.295

The notes on pages 30 to 57 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2017-unaudited

	Note	**At 30 June 2017 RMB'000**	At 31 December 2016 RMB'000
Non-current assets			
Property, plant and equipment, net	10	**360,334**	331,994
Construction in progress		**7,497**	16,768
Intangible assets		**205,701**	199,492
Lease prepayments		**57,111**	57,852
Interest in a joint venture	11	**29,444**	17,862
Interest in associates	12	**304,331**	278,642
Deferred tax assets		**10,848**	10,864
Goodwill	9	**72,010**	—
Other non-current assets	13	**108,151**	125,775
Total non-current assets		**1,155,427**	1,039,249
Current assets			
Inventories		**174,996**	178,702
Trade and other receivables	14	**363,862**	324,436
Restricted cash	15	**—**	230,000
Cash and cash equivalents	15	**747,023**	646,887
Total current assets		**1,285,881**	1,380,025
Current liabilities			
Bank loans	16	**21,447**	220,000
Trade and other payables	17	**123,021**	77,018
Current portion of preferred shares	18	**13,458**	12,461
Income tax payable		**15,379**	18,860
Total current liabilities		**173,305**	328,339
Net current assets		**1,112,576**	1,051,686
Total assets less current liabilities		**2,268,003**	2,090,935

The notes on pages 30 to 57 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

at 30 June 2017-unaudited

	Note	**At 30 June 2017 RMB'000**	At 31 December 2016 RMB'000
Non-current liabilities			
Bank loans		**231,173**	128,860
Preferred shares	18	**25,424**	35,398
Convertible bonds	19	**356,501**	360,948
Deferred income		**12,736**	13,483
Deferred tax liability		**751**	—
Total non-current liabilities		**626,585**	538,689
NET ASSETS		**1,641,418**	1,552,246
CAPITAL AND RESERVES			
Share capital	21(c)	**3,236**	3,219
Reserves		**1,638,125**	1,548,970
Total equity attributable to equity shareholders of the Company		**1,641,361**	1,552,189
Non-controlling interests		**57**	57
TOTAL EQUITY		**1,641,418**	1,552,246

Approved and authorised for issue by the board of directors on 15 August 2017.

Zhao Yan
Director

Jin Xuekun
Director

The notes on pages 30 to 57 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2017-unaudited

		Attributable to equity shareholders of the Company								
	Note	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016		3,117	263,036	82,133	2,504	187,983	653,131	1,191,904	53	1,191,957
Changes in equity for the six months ended 30 June 2016:										
Profit for the period		—	—	—	—	—	108,433	108,433	(1)	108,432
Other comprehensive income		—	—	—	8,100	—	—	8,100	—	8,100
Total comprehensive income for the period		—	—	—	8,100	—	108,433	116,533	(1)	116,532
Appropriation to statutory reserves		—	—	22,745	—	—	(22,745)	—	—	—
Dividends for the year ended 31 December 2015	21(b)	—	—	—	—	—	(8,350)	(8,350)	—	(8,350)
Equity settled share-based transaction	6(b)	—	—	—	—	11,338	—	11,338	—	11,338
Shares issued on the exercise of share options granted under share option scheme	21(c)	8	4,174	—	—	(960)	—	3,222	—	3,222
Issuance of shares to directors and employees at discount	21(c)	82	99,865	—	—	(1,576)	—	98,371	—	98,371
		90	104,039	22,745	—	8,802	(31,095)	104,581	—	104,581
Balance at 30 June 2016		3,207	367,075	104,878	10,604	196,785	730,469	1,413,018	52	1,413,070

The notes on pages 30 to 57 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

for the six months ended 30 June 2017-unaudited

	Attributable to equity shareholders of the Company								
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 July 2016	3,207	367,075	104,878	10,604	196,785	730,469	1,413,018	52	1,413,070
Changes in equity for the six months ended 31 December 2016:									
Profit for the period	—	—	—	—	—	119,668	119,668	—	119,668
Other comprehensive income	—	—	—	1,157	—	—	1,157	5	1,162
Total comprehensive income for the period	—	—	—	1,157	—	119,668	120,825	5	120,830
Equity settled share-based transactions	—	—	—	—	11,514	—	11,514	—	11,514
Shares issued on the exercise of share options granted under share option scheme	12	8,173	—	—	(1,353)	—	6,832	—	6,832
	12	8,173	—	—	10,161	—	18,346	—	18,346
Balance at 31 December 2016	3,219	375,248	104,878	11,761	206,946	850,137	1,552,189	57	1,552,246

The notes on pages 30 to 57 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

for the six months ended 30 June 2017-unaudited

		Attributable to equity shareholders of the Company								
	Note	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017		3,219	375,248	104,878	11,761	206,946	850,137	1,552,189	57	1,552,246
Changes in equity for the six months ended 30 June 2017:										
Profit for the period		—	—	—	—	—	81,043	81,043	(1)	81,042
Other comprehensive income		—	—	—	(5)	—	—	(5)	1	(4)
Total comprehensive income for the period		—	—	—	(5)	—	81,043	81,038	—	81,038
Appropriation to statutory reserves		—	—	2,610	—	—	(2,610)	—	—	—
Dividends for the year ended 31 December 2016	21(b)	—	—	—	—	—	(9,968)	(9,968)	—	(9,968)
Equity settled share-based transaction	6(b)	—	—	—	—	10,508	—	10,508	—	10,508
Shares issued on the exercise of share options granted under share option scheme	21(c)	17	9,870	—	—	(2,293)	—	7,594	—	7,594
		17	9,870	2,610	—	8,215	(12,578)	8,134	—	8,134
Balance at 30 June 2017		3,236	385,118	107,488	11,756	215,161	918,602	1,641,361	57	1,641,418

The notes on pages 30 to 57 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2017-unaudited

	Note	Six months ended 30 June 2017 RMB'000	2016 RMB'000
Operating activities			
Cash generated from operations		**129,974**	43,065
PRC income tax paid		**(27,467)**	(30,808)
Interest received		**5,871**	6,133
Net cash generated from operating activities		**108,378**	18,390
Investing activities			
Payment for purchase of property, plant and equipment, construction in progress and intangible assets		**(44,221)**	(16,808)
Payments for acquisition of interests in associates and a joint venture		**—**	(30,356)
Acquisition of a subsidiary, net of cash acquired	9(e)	**(94,494)**	—
Decrease/(increase) in restricted cash		**230,000**	(5,061)
Other cash flows arising from investing activities		**—**	21
Net cash generated from/ (used in) investing activities		**91,285**	(52,204)
Financing activities			
Proceeds from bank loans		**131,410**	—
Proceeds from exercise of share options		**7,594**	3,222
Proceeds from issuance of shares to directors and employees		**—**	14,755
Repayment of bank loans		**(220,000)**	(247,206)
Dividends paid on preferred shares		**—**	(5,000)
Interest paid		**(14,148)**	(12,982)
Net cash used in financing activities		**(95,144)**	(247,211)
Net increase/(decrease) in cash and cash equivalents		**104,519**	(281,025)
Cash and cash equivalents at 1 January	15	**646,887**	651,050
Effect of foreign exchange rate changes		**(4,383)**	10,731
Cash and cash equivalents at 30 June	15	**747,023**	380,756

The notes on pages 30 to 57 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") 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. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 3 October 2008. The Group is principally engaged in the manufacture and sale of bio-chemical products (including hyaluronic acid ("HA") raw materials and end products) and trading of cosmetic products and medical devices through its principal subsidiaries in the People's Republic of China (the "PRC") (including Hong Kong) and France. The Group also invests in a number of associates and a joint venture engaging in design, development, manufacture and sale of cosmetic products.

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, 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 15 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

The preparation of 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 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the IASB.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the board of directors is included on page 58.

The financial information relating to the financial year ended 31 December 2016 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

Revenue consists of the following:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Sales of self-produced products		
– HA raw materials	**237,000**	234,208
– HA and other end products	**122,869**	133,210
Revenue from trading of cosmetic products and devices	**30,601**	50,923
	390,470	418,341

(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 reporting segments for the six months ended 30 June 2017 and no operating segments have been aggregated to form the following reportable segments:

- production and sale of HA raw materials and HA and other end products: this segment manages and operates manufacturing plants and generates income from production and sale of HA raw materials and HA and other end products to external customers; and
- trading of cosmetic products and medical devices: this segment purchases cosmetic products and devices from external suppliers and sells them to external customers.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets and current assets with the exception of interest in associates and deferred tax assets. Segment liabilities include trade and other payables, deferred income, preferred shares and bank loans managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment revenue and expenses include the Group's share of revenue and expenses arising from the activities of the Group's joint venture.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation". To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits less losses of associates, directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter segment sales, if any, and the Group's share of the joint venture's revenue), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales, if any, are priced with reference to prices charged to external parties for similar orders.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (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 is set out below.

	Production and sale of HA raw materials and HA and other end products		Trading of cosmetic products and medical devices		Total	
For the six months ended 30 June	**2017**	2016	**2017**	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Reportable segment revenue	**359,869**	367,418	**30,601**	50,923	**390,470**	418,341
Reportable segment profit/(loss) (adjusted EBITDA)	**160,168**	185,729	**(2,774)**	4,454	**157,394**	190,183
Interest income from cash at bank	**8,601**	4,499	**—**	—	**8,601**	4,499
Interest expense	**(6,782)**	(3,930)	**—**	—	**(6,782)**	(3,930)
Depreciation and amortisation for the period	**(18,533)**	(21,438)	**(11,230)**	(10,946)	**(29,763)**	(32,384)
As at 30 June/31 December						
Reportable segment assets	**1,684,425**	1,624,399	**298,159**	294,906	**1,982,584**	1,919,305
(including investment in a joint venture)	**—**	—	**29,444**	16,994	**29,444**	16,994
Additions to non-current segment assets during the period/year	**141,285**	8,075	**1,652**	17,862	**142,937**	25,937
Reportable segment liabilities	**162,838**	355,224	**11**	1,030	**162,849**	356,254

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Revenue		
Reportable segment revenue and consolidated revenue	**390,470**	418,341
Profit		
Reportable segment profit	**157,394**	190,183
Share of profits less losses of associates	**11,838**	13,041
Interest income	**10,110**	6,133
Depreciation and amortisation	**(29,763)**	(32,384)
Finance costs	**(23,892)**	(24,065)
Unallocated head office and corporate expenses	**(19,765)**	(16,591)
Consolidated profit before taxation	**105,922**	136,317

	At 30 June	At 31 December
	2017	2016
	RMB'000	RMB'000
Assets		
Reportable segment assets	**1,982,584**	1,919,305
Interests in associates	**304,331**	278,642
Deferred tax assets	**10,848**	10,864
Unallocated head office and corporate assets	**143,545**	210,463
Consolidated total assets	**2,441,308**	2,419,274
Liabilities		
Reportable segment liabilities	**162,849**	356,254
Income tax payable	**15,379**	18,860
Bank loans (unallocated)	**252,603**	128,860
Convertible bonds	**356,501**	360,948
Other unallocated head office and corporate liabilities	**12,558**	2,106
Consolidated total liabilities	**799,890**	867,028

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(iii) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets with the exception of deferred tax assets ("specified non-current assets"). The geographical location of customers is based on the location at which the goods are delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, lease prepayments and construction in progress, the location of the operation to which they are allocated, in the case of intangible assets, goodwill and other non-current assets, and the location of operations, in the case of interest in associates and interest in a joint venture.

	Revenue from external customers		**Specified non-current assets**	
	Six months ended 30 June		**30 June**	31 December
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
China (including Hong Kong)	**264,416**	318,817	**816,386**	749,587
Americas	**58,204**	38,486	**122**	156
Asia	**30,231**	35,237	**29,400**	30,535
Europe	**37,590**	24,576	**298,671**	248,107
Other regions	**29**	1,225	**—**	—
	390,470	418,341	**1,144,579**	1,028,385

5 OTHER REVENUE

		Six months ended 30 June	
		2017	2016
	Note	**RMB'000**	RMB'000
Government grants	(a)	**4,187**	3,917
Interest income on cash at bank		**4,472**	6,133
Interest income on loans made to directors and employees		**1,489**	1,438
Interest income on available-for-sale financial assets		**4,149**	21
Rental income		**802**	684
Others		**1,973**	1,073
		17,072	13,266

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

5 OTHER REVENUE (continued)

(a) Government grants

The grants represented incentives and awards of RMB 4,187,000 (six months ended 30 June 2016: RMB 3,917,000) which were mainly in relation to the Group's technical achievement on the research and development of HA products and its expansion of business to overseas markets during the six months ended 30 June 2017.

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Interest on bank borrowings	**6,018**	6,898
Dividends on preferred shares (Note 18)	**3,484**	3,930
Interest on convertible bonds (Note 19)	**14,390**	13,237
	23,892	24,065

(b) Staff costs

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Salaries, wages and other benefits	**79,761**	73,378
Expenses related to a performance incentive arrangement in connection with the acquisition of Revitacare (note (i))	**18,576**	—
Contributions to defined contribution retirement plans	**4,816**	4,370
Equity settled share-based transaction expenses		
– share option scheme (Note 20(i))	**941**	2,070
– group share-based payment transaction settled by the controlling shareholder (Note 20(ii))	**9,567**	9,268
	113,661	89,086

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

6 PROFIT BEFORE TAXATION (continued)

(b) Staff costs (continued)

(i) Pursuant to the sale and purchase agreement for the acquisition of Revitacare (see Note 9), the Group will pay certain contingent amounts to the former owner, who became an employee of the Group after the acquisition, on the condition that she serves the Group for certain periods and Revitacare achieves certain revenue and profit targets during these periods. The arrangement in relation to such payment of contingent amounts has been accounted for as a performance incentive arrangement for the employee's future services. Under the performance incentive arrangement, there are three tranches and each tranche requires the employee to serve for a period from one year to three years while Revitacare achieves certain revenue and profit targets during relevant periods. The expenses related to this performance incentive arrangement are charged into profit or loss over the relevant periods.

(c) Other items

		Six months ended 30 June	
		2017	2016
	Note	**RMB'000**	RMB'000
Amortisation			
– intangible assets		**12,535**	10,949
– lease prepayments		**741**	655
Depreciation		**16,487**	20,780
Net foreign exchange loss		**2,982**	4,776
Provision for impairment loss on trade receivables		**604**	829
Operating lease charges in respect of leased property, plant and equipment		**4,350**	4,656
Research and development costs	(i)	**21,930**	20,206

(i) Research and development costs for the six months ended 30 June 2017 included RMB13,028,000 (six months ended 30 June 2016: RMB8,092,000) relating to staff costs and depreciation and amortisation, 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	
	2017	2016
	RMB'000	RMB'000
Current tax - PRC income tax		
Provision for the period	**25,087**	28,811
(Over) /under-provision in respect of prior year	**(171)**	700
Deferred tax		
Origination and reversal of temporary differences	**(36)**	(1,626)
	24,880	27,885

(i) The statutory income tax rate is 25% for the subsidiaries of the Group established in the PRC (the "PRC subsidiaries"). Certain subsidiaries established in the PRC are entitled to a concession on the PRC income tax of 10% as they have satisfied certain conditions in the income tax law and was granted the qualification of advanced and new technology enterprise. As a result, the subsidiaries established in the PRC are subject to income tax rates ranging from 15% to 25% for the six months ended 30 June 2017 (six months ended 30 June 2016: 15% to 25%).

(ii) Pursuant to the PRC income tax law, non-resident enterprises 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, the Group's Hong Kong subsidiaries holding the subsidiaries in the PRC are liable for withholding tax at the rate of 5% for dividend income derived from the PRC as the Hong Kong subsidiaries are the "beneficial owner" and hold 25% of equity interests or more of the subsidiaries in the PRC.

As at 30 June 2017, temporary differences relating to the undistributed profits of Bloomage Freda Biopharmaceutical Co., Ltd. ("Bloomage Biopharm"), Shandong Bloomage Biopharm Company Limited ("Shandong Bloomage Hyinc") and Beijing Bloomage Hyinc Technology Company Limited ("Beijing Bloomage Hyinc") amounted to RMB1,021,269,000 (31 December 2016: RMB883,141,000). Deferred tax liabilities of RMB51,063,000 (31 December 2016: RMB44,157,000) 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, Shandong Bloomage Hyinc and Beijing Bloomage Hyinc 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 2017 (six months ended 30 June 2016: Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2017 is based on the profit attributable to equity shareholders of the Company of RMB81,043,000 (six months ended 30 June 2016: RMB108,433,000) and the weighted average of 363,746,000 ordinary shares (six months ended 30 June 2016: 361,423,000 ordinary shares) in issue during the interim period, calculated as follows:

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

	Six months ended 30 June	
	2017	2016
	'000	'000
Issued ordinary shares at 1 January	**363,008**	351,320
Effect of shares issued to directors and employees at discount	**—**	9,687
Effect of exercise of share options granted under share option scheme	**738**	416
Weighted average number of ordinary shares at 30 June (basic)	**363,746**	361,423

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2017 is based on the profit attributable to equity shareholders of the Company of RMB81,043,000 (six months ended 30 June 2016: RMB108,433,000) and the weighted average number of 367,961,000 ordinary shares (six months ended 30 June 2016: 367,753,000 ordinary shares), calculated as follows:

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

	Six months ended 30 June	
	2017	2016
	'000	'000
Weighted average number of ordinary shares at 30 June (basic)	**363,746**	361,423
Effect of deemed issue of shares for nil consideration for the share options granted in 2012	**4,215**	6,330
Weighted average number of ordinary shares at 30 June (diluted)	**367,961**	367,753

Note: The convertible bonds are excluded from the calculation of diluted earnings per share for the six months ended 30 June 2017 and 2016, because its effect is anti-dilutive.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

9 ACQUISITION OF A SUBSIDIARY

On 19 January 2017, the Group obtained control of Revitacare, a company incorporated in France, by acquiring the entire issued share capital of Revitacare.

The acquisition of Revitacare is supplement to the Group's current focus on the development of skin management business. Acquiring 100% of Revitacare enables the Group to obtain advanced technologies in skin management and new products to further diversify the Group's product line, and to expand the product portfolio and solutions to be provided by the Group.

For the period from 19 January 2017 to 30 June 2017, Revitacare contributed revenue of approximately RMB 18,326,000 and a profit of approximately RMB 6,925,000 to the Group's results.

(a) Consideration transferred

The consideration for the acquisition of Euro14,275,000 (equivalent to approximately RMB 104,305,000) was satisfied in cash.

(b) Identifiable assets acquired and liabilities assumed

The following summarises the recognised amount of assets acquired and liabilities assumed at the acquisition date:

	Fair value
	RMB'000
Property, plant and equipment	345
Intangible assets	21,986
Inventories	4,439
Trade and other receivables	6,401
Cash and cash equivalents	9,811
Other assets	105
Trade and other payables	(5,573)
Deferred tax liabilities	(760)
Other liabilities	(411)
Total identifiable net assets acquired	36,343

The provisional fair value of the identifiable assets acquired and liabilities assumed at the acquisition date was determined by the directors with reference to a valuation report issued by a third party valuation firm.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

9 ACQUISITION OF A SUBSIDIARY (continued)

(c) Goodwill

Goodwill at the acquisition date arising from the acquisition has been recognised as follows:

	RMB'000
Total consideration	104,305
Fair value of net identifiable assets	(36,343)
Goodwill	67,962

The goodwill is attributable mainly to the skills and technical talent of Revitacare's workforce and the synergies expected to be achieved through integrating Revitacare into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purpose.

(d) Acquisition-related costs

The Group incurred acquisition related costs of approximately RMB 701,000 relating to external legal fees and due diligence costs. These amounts have been included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

(e) Analysis of net cash outflow of the acquisition

	RMB'000
Cash consideration paid	104,305
Less: cash and cash equivalents acquired	9,811
Net cash outflow	94,494

10 PROPERTY, PLANT AND EQUIPMENT, NET

(a) Acquisitions and disposals

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment of RMB 44,886,000 which include addition of RMB 345,000 through acquisition of a subsidiary (see Note 9). The Group disposed of property, plant and equipment with a net book value of RMB 23,000 during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB150,000).

(b) Transfer from construction in progress

During the six months ended 30 June 2017, construction in progress with a cost of RMB33,083,000 (six months ended 30 June 2016: RMB4,456,000) were completed and transferred to property, plant and equipment.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

10 PROPERTY, PLANT AND EQUIPMENT, NET (continued)

(c) As at 30 June 2017, property certificates of certain properties of the Group with an aggregate net book value of RMB 12,495,000 (31 December 2016: RMB 18,899,000) are yet to be obtained.

11 INTEREST IN A JOINT VENTURE

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

			Proportion of ownership interest			
Name of joint venture	**Form of business structure**	**Place of incorporation and business**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activity**
Medybloom China Limited ("Medybloom")	Incorporated	Hong Kong	50%	—	50%	Registration, promotion and sales of Botulinum Toxin products

Medybloom, a joint venture of the Group established in 2015, is an unlisted corporate entity whose quoted market price is not available.

12 INTEREST IN ASSOCIATES

	Note	**At 30 June 2017 RMB'000**	At 31 December 2016 RMB'000
Interest in a material associate	(a)	**274,931**	248,107
Interest in immaterial associates		**29,400**	30,535
		304,331	278,642

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

12 INTEREST IN ASSOCIATES (continued)

(a) Interest in a material associate

The following list contains only the particulars of a material associate whose quoted market price is not available:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
V Plus S.A.	Incorporated	Luxembourg	1,525,000 ordinary shares of Euro 1 each	38.18%	—	38.18%	Design, development, manufacturing and sales of medical aesthetics devices

On 15 July 2015, the Group acquired 37.32% of the issued shares of V Plus S.A., an investment holding company with no substantial business activities other than its shareholding of its controlling subsidiaries including Laboratoires Vivacy SAS ("Vivacy") which is principally engaged in the design, development, manufacturing and sales of medical aesthetics devices including dermal fillers and cosmetics.

On 22 December 2016, V Plus S.A. repurchased 35,000 shares from two shareholders. As a result, the effective interest held by the Group in V Plus S.A. increased from 37.32% to 38.18%.

This material associate is accounted for using the equity method of accounting in the consolidated financial statements.

13 OTHER NON-CURRENT ASSETS

As at 30 June 2017, other non-current assets mainly represents loans of RMB80,890,000 (31 December 2016: RMB83,990,000) made by the Company to relevant directors and employees in connection with these directors and employees' subscription of the Company's shares (Note 21(c)) and prepayments of RMB18,806,000 (31 December 2016: RMB36,582,000) made by the Group that are not expected be settled within one year.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

14 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 2017 RMB'000	At 31 December 2016 RMB'000
Within 3 months	**179,550**	193,359
3 to 6 months	**26,669**	26,732
6 to 9 months	**57,991**	42,246
9 to 12 months	**19,094**	5,046
Over 1 year	**18,823**	20,776
	302,127	288,159
Less: allowance for doubtful debts	**(15,101)**	(14,497)
	287,026	273,662
Prepayments and other receivables	**74,407**	47,994
Other receivables due from related parties	**2,429**	2,780
	363,862	324,436

(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 2017 RMB'000	At 31 December 2016 RMB'000
At 1 January	**14,497**	732
Impairment loss recognised	**604**	13,765
At 30 June/31 December	**15,101**	14,497

At 30 June 2017, the Group's trade receivables of RMB15,101,000 (31 December 2016: RMB14,497,000) 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. Specific allowances for doubtful debts of RMB604,000 (six months ended 30 June 2016: RMB 829,000) were recognized during the six months ended 30 June 2017.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

14 TRADE AND OTHER RECEIVABLES (continued)

(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 2017 RMB'000	At 31 December 2016 RMB'000
Current	**162,892**	177,360
1 to 3 months overdue	**38,334**	28,848
3 to 6 months overdue	**59,176**	56,870
6 months to 1 year overdue	**23,910**	7,485
More than 1 year overdue	**2,714**	3,099
	287,026	273,662

The credit term for trade receivables is generally 30 to 120 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 who do not have recent history of default.

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 does not have 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

15 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Cash at bank and in hand	**747,023**	876,887
Less: restricted cash (i)	**—**	230,000
Cash and cash equivalents	**747,023**	646,887

(i) Restricted cash as at 31 December 2016 mainly represented deposits as a pledge of a bank loan. Such restriction has been released upon repayment of relevant bank loan during the six months ended 30 June 2017.

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

16 BANK LOANS

As at 31 December 2016, a bank loan of RMB220,000,000 was secured by a pledge over the Group's bank deposits of RMB 230,000,000. This bank loan was repaid in the first half of 2017. As at 30 June 2017, a bank loan of RMB17,000 is secured by the Group's vehicle.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

17 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 2017 RMB'000	At 31 December 2016 RMB'000
Within 3 month	**31,854**	29,254
3 to 6 months	**27**	824
6 months to 1 year	**324**	440
Over 1 year	**13**	10
Trade creditors and bills payable	**32,218**	30,528
Payables for construction of plant and purchase of equipment	**8,636**	6,126
Receipts in advance	**12,592**	7,603
Value added tax payable	**12,295**	16,241
Preferred share dividends payable	**12,461**	—
Dividends payable to equity shareholders of the Company	**9,968**	—
Accrued expenses and other payables	**34,851**	16,520
	123,021	77,018

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

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Due within 1 month or on demand	**32,218**	30,528

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

18 PREFERRED SHARES

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
At 1 January	**47,859**	51,471
Dividends during the period (Note 6(a))	**3,484**	3,930
Dividends of preferred shares declared	**(12,461)**	(11,538)
	38,882	43,863
Less: current portion of preferred shares	**(13,458)**	(12,461)
At 30 June	**25,424**	31,402

19 CONVERTIBLE BONDS

The movement of the carrying amount of the convertible bonds for the six months ended 30 June 2017 is set out below:

	Liability component	**Equity component**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2017	360,948	59,627	420,575
Interest charged during the period (Note 6(a))	14,390	—	14,390
Interest payable	(8,130)	—	(8,130)
Exchange adjustments	(10,707)	—	(10,707)
At 30 June 2017	356,501	59,627	416,128

On 20 November 2015, the Company issued convertible bonds in the aggregate principal amount of HK$465,000,000 to Ora Investment Pte. Ltd.. The convertible bonds bear interest rate at 4% per annum payable semi-annually. The maturity date of the convertible bonds is 20 November 2020. The convertible bonds are convertible into ordinary shares of the Company at the option of the holders of the convertible bonds at any time on or after the date of issue of the convertible bonds and up to the date falling seven days prior to the maturity date at a conversion price of HK$17.2 per share, subject to adjustments.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

20 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 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.

During the six months ended 30 June 2017, expenses related to the share option scheme of RMB 941,000 (six months ended 30 June 2016: RMB2,070,000) have been charged in profit or loss.

(ii) 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 Xuekun ("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.

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. During the six months ended 30 June 2017, expenses related to this group share-based payment transaction of RMB 9,567,000 (six months ended 30 June 2016: RMB9,268,000) have been charged in profit or loss.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

21 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 2017 (six months ended 30 June 2016: Nil).

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
2016 final dividends, approved during the interim period, of HK$3.1 cents per ordinary share (2015 final dividends: HK$2.7 cents per ordinary share)	**9,968**	8,350

(c) Share capital

	30 June 2017		31 December 2016	
	No. of shares '000	**HK$'000**	No. of shares '000	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**1,000,000**	**10,000**	1,000,000	10,000

	30 June 2017		31 December 2016	
	No. of shares	**RMB'000**	No. of shares	RMB'000
Ordinary shares, issued and fully paid:				
At 1 January	**363,007,834**	**3,219**	351,319,834	3,117
Shares issued to employees and directors at discount (note)	—	—	9,687,500	82
Shares issued on exercise of share options granted under share option scheme	**1,948,500**	**17**	2,000,500	20
At 30 June/31 December	**364,956,334**	**3,236**	363,007,834	3,219

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

21 DIVIDENDS AND CAPITAL (continued)

(c) Share capital (continued)

Note: On 4 November 2015, the board of directors of the Company approved the grant of 9,687,500 shares at a subscription price of HK$12.0 per share to certain directors and employees. The shares were granted with a lock up period of six months during which the shares are not transferable. Share based payment expense of RMB1,576,000 related to this share grant was charged to profit or loss immediately in the year ended 31 December 2015. The Company made loans with a total amount of HK$ 98,812,500 to relevant directors and employees for their subscription of the Company's shares. The subscription of shares by the relevant directors and employees was completed on 8 January 2016.

22 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

There are no financial assets or liabilities measured at fair value as at 30 June 2017 (31 December 2016: nil).

(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 2017.

In respect of cash and cash equivalents, restricted cash, trade and other receivables, bank loans, trade and other payables and convertible bonds, the carrying amounts approximate fair value due to the relatively short term or the effective interest rates are approximate to the market interest rates.

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 continuously. 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 2017 has not been disclosed.

23 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2017 not provided for in the interim financial report are as follows:

	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
Authorised and contracted for	**7,088**	787

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

24 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

Significant related party transactions during the six months ended 30 June 2017 are as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Sales of goods to related parties	**2,988**	1,739
Purchase of goods from related parties	**11,953**	92
Dividends on preferred shares paid	**—**	5,000
Lease of buildings and plant to related parties	**546**	684
Rental expense for lease of properties from a related party	**3,499**	3,736
Loans to key management personnel*	**—**	62,917
Loan to an associate	**3,389**	—

* The loans are repayable on demand and bear an interest rate of 2% per annum.

In the opinion of the directors of the Company, the above related party purchase and lease 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 30 June	At 31 December
	2017	2016
	RMB'000	RMB'000
Trade and other receivables	**4,008**	3,679
Trade and other payables	**2,111**	—
Preferred shares, including current portion	**38,882**	47,859
Loan receivables from key management personnel	**67,138**	66,652
Other non-current assets	**3,389**	—

25 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 15 June 2017, Grand Full Development Limited (the "Offeror") requested the Board of the Company to put forward a proposal to the shareholders other than the Offeror and Offeror concert parties for the privatisation of the Company by way of a scheme of arrangement under Section 86 of the Companies Law of the Cayman Islands (the "Proposed Privatisation"). As at date of this report, the Company is still preparing the documents in relation to the Proposed Privatisation. If the Proposed Privatisation of the Company is approved by the shareholder and relevant regulatory bodies, the Company will withdraw the listing of its shares from the Stock Exchange.

26 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017

A number of amendments and new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

IFRS 9, *Financial instruments*

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, *Financial instruments: Recognition and measurement*. IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. The group has decided not to adopt IFRS 9 until it becomes mandatory on 1 January 2018. Expected impacts of the new requirements on the group's financial statements are as follows:

(a) Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.
- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of IFRS 9.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

26 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (continued)

IFRS 9, ***Financial instruments*** (continued)

(a) Classification and measurement (continued)

With respect to the Group's investments in equity securities currently classified as "available-for-sale", the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to IFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale equity investments is to recognise fair value changes in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss. This change in policy will have no impact on the Group's net assets and total comprehensive income but will impact on reported performance amounts such as profit and earnings per share.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of IFRS 9.

(b) Impairment

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

(c) Hedge accounting

IFRS 9 does not fundamentally change the requirements relating to measuring and recognising ineffectiveness under IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting. The Group currently has not applied hedge accounting and therefore this new requirement may not have any impact on the Group on adoption of IFRS 9.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

26 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (continued)

IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, *Revenue*, which covers revenue arising from sale of goods and rendering of services, and IAS 11, *Construction contracts*, which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

It is possible that for the some of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (continued)

26 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (continued)

IFRS 15, ***Revenue from contracts with customers*** (continued)

(b) Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Payments from customers that are received significantly in advance are not common in the Group's current arrangements with customers.

(c) Sales with a right of return

Currently when the customers are allowed to return the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of IFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

IFRS 16, *Leases*

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

26 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2017 (continued)

IFRS 16, *Leases* (continued)

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. At 30 June 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB 9,225,000 for property, plant and equipment, some of which is payable between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt IFRS 16 in its 2018 consolidated financial statements.

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 22 to 57 which comprises the consolidated statement of financial position of Bloomage BioTechnology Corporation Limited (the "Company") as of 30 June 2017 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 2017 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

15 August 2017